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**REVIEW OF ISSUES RELATING TO PAY, RETIRE-
MENT, AND HEALTH BENEFITS (ALBANY, NEW
YORK)**

HEARING
BEFORE THE
SUBCOMMITTEE ON
COMPENSATION AND EMPLOYEE BENEFITS
OF THE
COMMITTEE ON
POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES
NINETY-NINTH CONGRESS
FIRST SESSION

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REVIEW OF ISSUES RELATING TO PAY, RETIREMENT, AND HEALTH BENEFITS

MONDAY, JULY 8, 1985

HOUSE OF REPRESENTATIVES,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
SUBCOMMITTEE ON COMPENSATION AND EMPLOYEE BENEFITS,
Albany, NY.

The subcommittee met, pursuant to notice, at 1:50 p.m., in the Federal Courtroom of the Northern District of New York, Main Post Office and Courthouse, Broadway, Albany, NY, Hon. Samuel S. Stratton presiding.

Mr. STRATTON. Madam Chairman, first of all, I would like to express my thanks to Chief Judge Munson, for making available this Federal Courtroom of the Northern District of New York, for the purpose of this congressional hearing. We had a similar privilege of holding a congressional hearing in this same location, some 10 years ago.

I must say, that while we in Congress think that we have impressive facilities, this courtroom is beyond our fondest dreams.

At the outset, I would like to thank Congresswoman Oakar, for bringing her Subcommittee on Compensation and Employee Benefits, to Albany, today, to hear from Federal employees in the 23d Congressional District of New York, about the legislative issues that directly affect their lives.

Earlier this year, several of my constituents, Federal employees serving at the Watervliet Arsenal, came to me with deep concerns about a number of the proposals that the administration had made with regard to Federal pay and benefits in an effort to reduce the Federal deficit. They suggested that the subcommittee in the House that has direct jurisdiction for legislation in these areas hold an official hearing in Albany, to get the views of Federal employees in our area on these various proposals.

I then made the request to Congresswoman Oakar, the Chair of the Subcommittee on Compensation and Employee Benefits, and I am delighted that she has agreed to come to our area today, to kick off a series of field hearings across the Nation, on these very same issues.

I know that Ms. Oakar has an especially full schedule these days because of several new offices that she has recently assumed. She is now a member of the Democratic National Committee, representing the House of Representatives to the Democratic National Committee. She is also chair of the Committee on Resolutions, and, a member of the Fairness Committee.

In addition, Ms. Oakar is also the new Secretary of the Democratic Caucus of the House, following in the footsteps of New York's own Geraldine Ferraro. And, I do not think that I need to point out to you that our chairperson today is the person who gave the Democratic response to President Reagan's weekly radio speech on Saturday.

There are about 9,000 Federal employees in the capital district, many of whom work at the Watervliet Arsenal, and many others who are located in regional Federal offices in Albany. As the Federal deficit has grown, the Reagan administration has made increasingly dramatic recommendations for budget cuts in virtually all Federal programs and activities.

The administration's budget request this year for fiscal 1986, included a request for a 5-percent cut in Federal pay, a freeze in civil service retirement cost-of-living adjustments. And, for the long term, the 1986 budget request also recommends a number of changes in Federal retirement, including an increase in the retirement age from 55 to 65, a revision in the annuity formula, whereby retirement pay would be based on the high 5 years, rather than the high 3, and a number of changes in the COLA formula.

The Grace Commission has also made a number of rather drastic recommendations for restructuring and reorganizing the Civil Service and the U.S. Postal Systems.

So far, the House has held the line against most of these proposals. The House budget resolution rejects the 5 percent pay cut, for example, and instead, would freeze Federal pay at the 1985 levels.

The House also rejected the proposed changes in Federal retirement. However, the Senate budget resolution does adopt a number of the administration's proposals, including a 2 percent work force reduction over the next 3 years. But, the budget is still in the House/Senate conference, so we do not know yet when a final package will be hammered out or what it will include.

I know that Congresswoman Oakar is working hard with Budget Chairman Gray, to protect the jobs and the benefits of Federal workers. It is my hope that today's hearing will give the subcommittee solid input on how what is done in Washington will affect Federal employees throughout our area, and very likely, throughout the rest of the United States.

I appreciate being invited to sit in on these hearings, and look forward to the testimony of the various witnesses who have agreed to appear today.

And, I want to express once again, Madam Chairman, my appreciation for the time and the effort that you have put into preparing for this hearing, and for chairing it this afternoon.

Thank you very much.

Ms. OAKAR. Thank you very much, Congressman Stratton. First of all, I want to thank you for inviting me to your beautiful State's capital. This is an absolutely beautiful capital. One of the great American cities of our country, Albany, NY; to receive the testimony that we are going to hear on the current compensation practices in the Federal Government, and their impact on Federal workers and the American public.

I am especially pleased to have you invite me. You are the dean of the New York delegation. That is a great honor and privilege to have been elected from your 23d District of New York, and I want the public to know, that in my judgment, and I mean this very, very sincerely, Congressman Stratton, is one of the most knowledgeable Members of Congress. Probably no other House Member is as knowledgeable on military issues as Congressman Stratton.

And, I know since he represents the Watervliet Arsenal, among other places, he knows better than anyone the valuable contributions that Government workers make, in procuring and securing, I should say, our national defense.

In my judgment, Congressman Stratton is one of the most dedicated, sincere, and hardworking Members of the House.

In fact, I was saying earlier to some of you, that when we had the Defense Authorization Bill before the House, our sessions went for about 2½ weeks, from early morning, until late, late, late evening. And no one was—I do not think there was any other member who was always on the floor of the House of Representatives, and put in more hours listening to the debate, participating in the debate, with all of his knowledge and wisdom, than Congressman Stratton.

So, you have, in this wonderful district, one of the hardest working Members of the House of Representatives, I think Congressman Stratton stands as a voice of reason, concern and compassion, for those who serve our Federal Government.

So, Sam, I am very honored to be in your congressional district, and I want to thank you and your constituents for the privilege of bringing our subcommittee to this field hearing.

To date, our subcommittee has conducted hearings in Washington, on the Federal Employees Health Benefits Program, the Civil Service Retirement Program, and proposals in the President's budget for fiscal year 1986, affecting Government pay, retirement, and health benefits.

Based upon these hearings and efforts prepared for the Post Office and Civil Service Committees, it has become very obvious that the current compensation program has really and truly failed. It has failed to meet the needs and to keep pace with private industry. Federal employees truly do trail their private sector counterparts in pay and benefits.

In its report to the President last year, the Advisory Committee on Federal Pay, many of whom are appointed by the President of the United States, concluded that the wage rates for general schedule employees was nearly 20 percent behind workers in the private sector.

In a report prepared by Hay Associates for the Post Office and Civil Service Committee in December 1984, using a very conservative methodology, concluded that Federal wages lagged behind in the private sector by more than 10 percent. Increasing to over 50 percent at the highest grade levels. So, both reports say pretty much the same thing.

Obviously, this pay gap is demoralizing to the Federal work force and creating an unfair financial hardship for employees. In our discussions with agency officials, it has become very clear that the failure of Federal pay to keep pace with wage movements in pri-

vate industry has created severe difficulties in recruiting and retaining experienced employees. And, I think we are going to hear about that today. Especially, in such occupations as engineers, scientists, and other technical fields.

Employees who are vital to the efficient operation of the Federal Government are fleeing to private industry at the first opportunity.

Our Federal Government is losing many of its most valued and experienced employees, at a time when the American public is demanding innovative solutions to the complex problems of our society.

We need the very best women and men in our Federal Government to provide the citizens of this country with the services they can deserve, and have come to expect to attract and retain high-caliber employees we must be willing to pay a fair and competitive wage.

Despite the very serious problem with Federal pay, the President proposed in fiscal year 1986's budget, a 5-percent reduction in wages for Federal workers. Actually, they called it a minus 5-percent wage increase, and I could never understand how that could be called a wage increase, in any way, shape, or form.

While Congress rejected this proposal out of hand, and I must say it was the House, it is the House that has taken that leadership in its budget. The budget resolutions adopted by both the House and the Senate do deny Federal employees a pay raise this year. But, in my opinion, this proposal is at best pennywise and pound foolish.

By not providing Federal workers with a pay raise when wages continue to rise in the private sector, the very real difficulties of having our Government work efficiently and attracting and retaining confident personnel, becomes a very real problem.

To make matters worse, the administration has also sought to substantially curtail health and retirement benefits. Over the last 4 years under the policies of this administration, health benefits have decreased by 15 percent, while premiums have increased nearly 50 percent.

Today, Government workers are receiving substantially less health benefits at much greater costs than they were 4 years ago.

The Hay report which we mentioned earlier, and we did another report by Mercer, that dealt with the health benefits show that in fact Government workers were far behind the private sector in receiving health benefits.

As a matter of fact, most private, comparable private sector corporations pay totally for their insurance program.

One of the things that I have done is to introduce legislation that I hope people will rally behind. H.R. 156, with more than 65 co-sponsors, which would reform and improve the current program, by mandating additional coverage. And, require that the Government increase its contribution rate to 75 percent.

Certainly, the recent proposal by Blue Cross and Blue Shield, to rebate over \$700,000,000 from its reserves, conclusively demonstrates that the program has sufficient funds to improve benefits, and to decrease costs for employees. I think it is time we moved in this direction.

I have also been most concerned with what the administration has tried to do in the area of civil service retirement. Each year, we are faced with numerous proposals to cut retirement benefits for Federal workers and annuitants. This year was no different.

In the budget proposed by the President, for fiscal year 1986, the President sought to freeze the cost of living adjustments, increase the minimum retirement age, and reduce benefits for survivors, students, and others, under the Civil Service Retirement Program.

Many people are under the false notion that the Civil Service Retirement Program makes one a millionaire, once they retire. That is absolutely a false notion, and we have varieties of reports that substantiate that.

I am hopeful, that the House's position will be retained in the budget conference that is presently going on.

The Senate, as you know, agrees with many of the areas gutting the retirement programs proposed by the President. Many of us feel that we want the House to stand firm with our proposal, and we are hopeful that our proposal that does not freeze the cost of living adjustment, nor gut civil service, nor add to an employee's contribution of 2 percent will stand.

We hope that our proposal will stand firm, and that our conferees will be firm in that direction.

It is my hope that through this hearing and others that will follow, that we will be able to develop legislation that will remedy the many problems of pay, health benefits, and retirement.

We need a compensation program in the Federal Government that is equitable, predictable, and comparable to wages and benefits offered in the private sector. Such a system is absolutely necessary in order to maintain a high quality workforce and a program that is fair to the employees.

Our Federal workers and the American public, deserves no less. I always say this, and I really believe it. I believe like my friend, Congressman Stratton, who is one of the most patriotic Congressmembers, I think we have, that we do indeed, live in the greatest country in the world.

One of the reasons that we live in such a great country, is that we have a dedicated work force, particularly our Government workers, who make our country work in a very, very fine fashion.

So, I want to just say that Congressman Stratton, I am delighted to be here with your constituents and the people that you work so hard for. And, I want to thank you in advance of this hearing, for asking me to be here today.

Mr. STRATTON. Thank you for being here and for your generous and very helpful comments on these problems, Madam Chairman.

Ms. OAKAR. Well, thank you. Let us proceed then with our witnesses, and I imagine they will be sitting right up here; is that correct, at the first table.

You know, Sam, I was saying, this reminds me, this building, of the Federal office building that my office is in in Cleveland, Oh, and it is just as beautiful. The judge's chambers; that is, as it is in Cleveland. So, we are grateful to your judges for allowing us to use this lovely chamber.

Our first panel is Mr. Michael Minahan, who is the national president of the Federal Managers Association. And, Mr. Mike

Donovan, vice president of the Federal Managers Association. Ms. Julia Johnson, who is the spokesperson for the Federally Employed Women. And, Mr. George Pflagl, who is the president of Local 2027, National Federation of Federal Emoloyees.

Is Mr. Joseph Ventresca, who is president of Local R2-98, of the National Association of Government Employees, AFL-CIO, he is here, also.

Mr. Minahan and Mr. Donovan, if you would come up here, and then the other witnesses, if you take the table behind these gentlemen, and then we will proceed and move you up when they are finished.

Let me just say, at the outset, I am delighted to be in the hometown of Mr. Minahan, who is a very fine spokesman for the Federal Manager's Association. It is a privilege. We have heard so many times from you, Mike, that I should come to Albany, that when Congressman Stratton, extended his gracious invitation, I could not refuse. So, thank you very much for being here. It is a pleasure to have you here.

Mr. MINAHAN. Thank you, Madam Chair. Mr. Donovan, will lead off for the Federal Manager's Association. He will give the main testimony, and I will follow with a few brief remarks following the conclusions of his remarks.

Ms. OAKAR. Very good.

Mr. Donovan, happy to see you again.

Mr. DONOVAN. Welcome to the capital of New York State.

Ms. OAKAR. It is a beautiful capital.

Mr. DONOVAN. And, thank you for the compliments on our capital.

STATEMENT OF MICHAEL E. DONOVAN, VICE PRESIDENT, FEDERAL MANAGER'S ASSOCIATION, FROM THE STATE OF NEW YORK

Mr. DONOVAN. My name is Michael Donovan, again. I am the vice president of the local chapter, and we represent about 260 managers in the capital district.

You already know Mike Minahan, and before I get into our testimony, I really appreciate the opportunity to participate in our country's governmental process of decisionmaking.

We want to thank Congressman Stratton, for inviting you to our area.

Ms. OAKAR. Mike, could you speak a little bit louder, because it is hard for the people in the back. They are not hearing you very well. I do not know if that mike is working very well.

Mr. DONOVAN. The movement in the Federal Government for the past 10 years, has been to decrease the compensation package for employees. During that period, Federal employees have lost over \$40 billion in paying benefits. We are now far behind the private sector, as all the studies show, and it is nearly impossible to recruit and retain the skills and talent we need.

The President's own pay agent shows us 18¼ percent behind private industry. The administration wants to streamline the Government, improve efficiency, and increase productivity. And, so do the taxpayers, who work within the Government.

In order to accomplish this goal, the administration has proposed lowering the quality of the employee in Federal service, by completely dismantling the already inadequate pay and benefits package.

On what logic did they base these proposals, the budget prices?

When, next year, the Government will subsidize corporations an estimated \$404 billion, or input from the Office of Personnel Management, a questionable source in light of recent Senate hearings.

At Watervliet Arsenal, we are presently completing a long-term modernization program of upgrading equipment and facilities. The equipment alone, amounts to a \$210 million investment, in, an estimated \$1 billion facility. The facilities are of little value, if we cannot attract and keep the people we need to operate them.

A few years ago, the largest private employer in this area, General Electric Co., had a layoff. We hired many of the skilled people and integrated them in our manufacturing facility.

Recently, General Electric began to have an increase in work, and called back some of these employees. I do not know of any to date that declined to return to GE. They will receive \$1.50 to \$2 more, and their take home pay is considerably more because GE pays for most of their benefits. They also said that the company provides benefits with more protection than we offer.

Over 75 percent of our resignations in a 2½-year period, were because of the inadequate compensation package.

We must be competitive in the labor skills market to efficiently manage and protect the taxpayer's investment. Here at the Arsenal, we have major representation in both Federal pay systems, general schedule, and the local wage survey system, for blue-collar workers. The average pay lag in this area, the blue collar area, is now 8.1 percent, with a more serious lag occurring in the higher skill areas.

The local wage survey does not provide a true picture of prevailing wage rates. Participation is voluntary on the part of private enterprise. And, in this area, General Electric Co. does not participate, our area's largest employer.

The pay caps on both systems further complicate our problems, and create additional problems of inequity between the two pay systems.

Madam Chair, we would like to remind Congress through your committee, that Federal employees are not, and should not be considered part of some benefit paying system of the Government. We are people, citizens, taxpayers, and workers, hired by the Federal Government, acting as the employer. And, we are truly demoralized by the administration's proposals.

In conclusion, Madam Chair, for many years the Federal Government was considered a quality employer. The combination of pay, fringe benefits, and reputation, was adequate to attract the best qualified people.

In recent years, we have abandoned good management, for the quick dollar. The immediate payback. The disease that has cost many corporations in the United States, the competitive edge.

What can be done to resolve these inequities?

Here are several suggestions. Allow the pay systems to function as intended. Eliminate arbitrary caps. Revise benefit packages to

improve the quality of the benefits, and reduce the cost of the employee, which you have already taken steps to do.

Develop a total compensation analysis method, including private sector perks, to determine comparability. Require mandatory wage survey participation of all companies holding government contracts.

Ms. Oakar, the administration's proposals would turn the Federal Government into a training school for private industry at a tremendous cost to all taxpayers. And, a new subsidy for corporations.

Again, Madam Chairman, I would like to thank you for coming, and I commend you and your staff director, Jerry Klepner, and, of course, Mr. Stratton.

In particular, I would like to thank Carol Koch, Mr. Stratton's legislative assistant, for her untiring efforts in arranging this hearing today.

That concludes my testimony. I will be happy to answer any questions.

[Statement of Mr. Donovan follows:]

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STATEMENT OF MICHAEL E. DONOVAN, VICE PRESIDENT, FEDERAL MANAGERS'
ASSOCIATION CHAPTER 88

MADAM CHAIRWOMAN:

BEFORE I GET INTO COMPENSATION PRACTICES TODAY I WOULD LIKE TO BRIEFLY
REVIEW THE SITUATION FROM OUR PERSPECTIVE.

WE ALL RECOGNIZE SOMETHING MUST BE DONE ABOUT THIS COUNTRY'S BUDGET
DEFICIT AND OBVIOUSLY THERE ARE ONLY TWO WAYS TO DO THAT: CUT SPENDING OR
RAISE TAXES. THE ADMINISTRATION'S BUDGET PROPOSAL FOR FY86 CLEARLY SHOWS THAT
THE ECONOMIC RECOVERY ACT OF 1981 WILL COST 210.8 BILLION DOLLARS IN REVENUE
NEXT YEAR, WHICH ACCOUNTS FOR NEARLY ALL OF THE BUDGET DEFICIT. BUT, I AM NOT
SUGGESTING THAT WE RAISE TAXES!!! NOT AT ALL. I AM ONLY SHOWING THAT THE
DEFICIT WAS CREATED BY REDUCING TAXES. ON THE OTHER HAND THE JOINT COMMITTEE
ON TAXATION POINTS OUT THAT IN 1986 THE GOVERNMENT WILL SUBSIDIZE CORPORATIONS
WITH AN ESTIMATED 404 BILLION DOLLARS.

CONSIDERING THESE TWO ASPECTS OF THE BUDGET DEFICIT, IT DOES NOT APPEAR
TO BE QUITE SO OVERWHELMING -- WE HAVE TIME TO MAKE SENSIBLE DECISIONS.
WHETHER WE HAVE A DEFICIT OR A SURPLUS, THAT SHOULD NOT DICTATE OUR LOGIC ON
HOW TO RUN GOVERNMENT. THE QUESTION SHOULD ALWAYS BE HOW TO RUN GOVERNMENT
EFFICIENTLY.

THE MOVEMENT IN FEDERAL GOVERNMENT FOR THE PAST TEN YEARS HAS BEEN TO
DECREASE THE COMPENSATION PACKAGE FOR EMPLOYEES, AND AS ALL THE STUDIES SHOW,
FEDERAL EMPLOYEES ARE FAR BEHIND THE "AVERAGE" IN PRIVATE INDUSTRY. DURING
THE ECONOMIC CRISIS OF THIS COUNTRY, THE FEDERAL WORKER, ALONG WITH THE REST
OF THE CITIZENS, HAD TO SACRIFICE TO SURVIVE. FEDERAL EMPLOYEES LOST OVER \$40
BILLION IN PAY AND BENEFITS. THIS COMPENSATION PACKAGE IS NOW TO A POINT
WHERE IT IS NEARLY IMPOSSIBLE TO RECRUIT AND RETAIN THE SKILLS AND TALENT WE
NEED, THE PRESIDENTS PAY AGENT SHOWS US 18 1/2% BEHIND IN PAY; HAY HUGGINS SHOWS
OVER 10% BEHIND IN PAY -- AND HAY COMPARED US WITH SOME COMPANIES NO LARGER
THAN 100 EMPLOYEES -- SOMETHING THAT CONGRESS DEBATED AND DECIDED YEARS AGO

WAS TOO SMALL FOR A REALISTIC COMPARISON. BUT REGARDLESS, HAY FINDS US 7% BEHIND THE AVERAGE ON TOTAL COMPENSATION AND THATS CONSIDERING WE HAVE A SLIGHTLY BETTER THAN AVERAGE RETIREMENT SYSTEM.

FOR 1986 THE ADMINISTRATION HAS PROPOSED THE FOLLOWING BUDGET CUTS FOR FEDERAL EMPLOYEES:

- °A 5% PAY CUT
- °CUTTING HEALTH BENEFITS
- °COLA FREEZE FOR RETIREES
- °PERMANENT CAP ON COLA'S FOR RETIREES
- °CHANGE THE EARLIEST RETIREMENT AGE FROM 55 TO 65 WITH 5% A YEAR PENALTY FOR YEARS UNDER 65 (10 YEAR PHASE IN PERIOD)
- °CHANGE SALARY BASE FOR RETIREMENT COMPUTATION FROM HIGH 3 YEARS TO HIGH 5 YEARS
- °ELIMINATE CREDIT FOR UNUSED SICK LEAVE

THE ADMINISTRATION WANTS TO STREAMLINE THE GOVERNMENT, IMPROVE EFFICIENCY AND INCREASE PRODUCTIVITY -- AND SO DO THE TAXPAYERS WHO WORK WITHIN THE GOVERNMENT. IN ORDER TO ACCOMPLISH THIS GOAL, THE ADMINISTRATION HAS PROPOSED LOWERING THE QUALITY OF THE EMPLOYEE IN FEDERAL SERVICE. ON WHAT LOGIC DID THEY BASE THESE PROPOSALS??? THE BUDGET CRISIS WHICH I ALLUDED TO EARLIER? INPUT FROM THE OFFICE OF PERSONNEL MANAGEMENT WITH REPORTS THAT ATTEMPTED TO SUPPORT THESE PROPOSALS? WE BELIEVE THAT ANY OF THE REPORTS OFFERED TO CONGRESS BY DR. DONALD DEVINE, AS DIRECTOR OF O.P.M. ON FEDERAL PAY AND BENEFITS, SHOULD BE CLOSELY SCRUTINIZED IN VIEW OF RECENT TESTIMONY OFFERED BY LORETTA CORNELIUS, AS ACTING DIRECTOR OF O.P.M. THERE IS NO BASIS FOR THESE CUTS, OTHER THAN IMMEDIATE BUDGET RELIEF. BUT THE EVENTUAL COST TO TAXPAYERS

CANNOT BE, IN OUR OPINION, CALCULATED.

THROUGHOUT THE FEDERAL GOVERNMENT THERE IS AN EMPHASIS ON INCREASING PRODUCTIVITY AND REDUCING COSTS, AND THATS AS IT SHOULD BE. ONE WAY OF ACCOMPLISHING THIS IS AS THE GRACE COMMISSION SUGGESTED: IMPROVING THE EQUIPMENT (AUTOMATE).

HERE IN THE CAPITOL DISTRICT AT WATERVLIET ARSENAL, WE ARE IN THE LAST STAGES OF A LONG-TERM MODERNIZATION PROGRAM OF UPGRADING EQUIPMENT AND MODERNIZING FACILITIES. THE EQUIPMENT ALONE AMOUNTS TO \$210 MILLION INVESTMENT IN AN ESTIMATED \$1 BILLION FACILITY. AS WE CONTINUE TO EMPLOY THE USE OF COMPUTERIZED MACHINES, UPGRADE OUR OLDER PROCESSES AND METHODS OF DOING BUSINESS WE REALIZE AN EVER-INCREASING NEED FOR IMPROVING SKILL LEVELS, NOT ONLY AT THE OPERATION AND MAINTENANCE LEVEL BUT AT PLANNING, PROGRAMMING AND ENGINEERING LEVELS, TO FULLY UTILIZE THIS SOPHISTICATED HIGH TECH EQUIPMENT AND ACHIEVE MAXIMUM PRODUCTIVITY FOR THE TAXPAYERS INVESTMENT. SOME OF THE SKILL IMPROVEMENTS NECESSARY CAN BE ACCOMPLISHED THROUGH TRAINING; AND, WE HAVE TAKEN STEPS TO PROVIDE THAT TRAINING.

IN PREPARING OUR WRITTEN TESTIMONY, WE HAVE ASKED FOR PERSONAL STATEMENTS OF MANAGERS WHICH I WOULD LIKE TO HIGHLIGHT ALONG WITH SOME INTERESTING EMPLOYMENT HISTORY FROM WATERVLIET ARSENAL, OUR LARGEST LOCAL FEDERAL EMPLOYER.

A FEW YEARS AGO THE LARGEST PRIVATE EMPLOYER IN THIS AREA, GENERAL ELECTRIC COMPANY, HAD TO LAYOFF SEVERAL HUNDRED WORKERS. MANY OF THEM WERE SKILLED TRADES PEOPLE COMPATIBLE WITH THE WORK WE DO AT THE ARSENAL WE HIRED MANY OF THESE SKILLED PEOPLE AND INTEGRATED THEM IN OUR MANUFACTURING FACILITY.

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RECENTLY GENERAL ELECTRIC BEGAN TO HAVE INCREASE IN WORK AND CALLED BACK SOME OF THESE EMPLOYEES. I DO NOT KNOW OF ANY TO DATE THAT HAVE DECLINED TO RETURN TO G.E. AND BASICALLY THEY HAVE ALL TOLD ME THE SAME THING: THEY WILL RECEIVE \$1.50 TO \$2.00 PER HOUR MORE AND THEIR TAKE HOME PAY IS CONSIDERABLY MORE BECAUSE G.E. PAYS FOR THEIR BENEFITS. THEY ALSO SAID THAT THE COMPANY PROVIDED BENEFITS WITH MORE PROTECTION THAN WE OFFERED.

IN MY DEPARTMENT ALONE EIGHT (8) PEOPLE RECENTLY RETURNED TO G.E. AND ONE PERSON TO ANOTHER EMPLOYER. THIS PROMPTED US TO LOOK AT THIS EXPERIENCE FOR ALL OF WVA AND FOUND THE FOLLOWING FACTS: FROM JANUARY 83 TO MAY 85 (2½ YEARS) WE HAD 162 RESIGNATIONS. 46% GAVE THEIR OFFICIAL REASON AS "EMPLOYMENT RELATED" MEANING THEY EITHER RETURNED TO FORMER EMPLOYER OR WENT ON TO A NEW EMPLOYER (COMPENSATION RELATED). OF THE REMAINING 54%, WHERE "PERSONAL" WAS THEIR OFFICIAL REASON FOR RESIGNING, 57 PEOPLE ACTUALLY GAVE NO REASON (ALTHOUGH INDICATIONS ARE THAT COMPENSATION WAS A CONSIDERATION ALSO). WE MUST THEN CONSIDER THAT OVER 75% OF OUR RESIGNATIONS WERE BECAUSE OF OUR INADEQUATE COMPENSATION PACKAGE. WE MUST BE COMPETITIVE IN THE LABOR/SKILLS MARKET TO EFFICIENTLY MANAGE AND PROTECT THE TAXPAYERS INVESTMENT. THE RESULTS OF APPLYING SECOND-RATE TALENT TO A FIRST-RATE FACILITY WILL NOT RESULT IN THE BEST PAYBACK FOR THE TAXPAYERS DOLLAR.

HERE AT THE ARSENAL WE HAVE MAJOR REPRESENTATION IN BOTH FEDERAL PAY SYSTEMS GENERAL SCHEDULE WHICH I REFERRED TO BEFORE AND WAGE SYSTEM. THIS IS THE LOCAL WAGE SURVEY SYSTEM FROM WHICH MOST OF THESE EMPLOYEES RESIGNED. THE AVERAGE PAY LAG IN THIS PAY AREA IS NOW 8.1% WITH A MORE SERIOUS LAG OCCURRING IN THE HIGHER SKILL AREAS.

ALTHOUGH THE LOGAL WAGE SURVEY DETERMINES THE WAGE SCHEDULE FOR BLUE COLLAR EMPLOYEES IN THIS AREA, IT DOES NOT NECESSARILY PROVIDE A TRUE PICTURE OF PREVAILING WAGE RATES.

ONE REASON FOR THIS IS THAT PARTICIPATION IN THE SURVEY PROCESS IS VOLUNTARY ON THE PART OF PRIVATE ENTERPRISE. IN THIS AREA IT IS THE CORPORATE POLICY OF THE GENERAL ELECTRIC COMPANY, THE AREA'S LARGEST EMPLOYER, (NOT INCLUDING THE STATE OF NEW YORK), NOT TO PARTICIPATE. WE SURVEY BUSINESSES WITH 50 OR MORE EMPLOYEES. HOWEVER, THE SMALLER COMPANIES ARE NOT OUR COMPETITION FOR THE HIGH SKILLED EMPLOYEES WE NEED TO INSTALL, OPERATE AND MAINTAIN OUR NEWEST COMPUTER AND NUMERICAL CONTROLLED MACHINE TOOLS.

THE PAY CAPS ON BOTH SYSTEMS FURTHER COMPLICATE OUR PROBLEMS AND CREATE ADDITIONAL PROBLEMS OF INEQUITY BETWEEN THE PAY SYSTEMS.

MADAM CHAIRWOMAN, WE WOULD LIKE TO REMIND THE CONGRESS, THROUGH YOUR COMMITTEE, THAT FEDERAL EMPLOYEES ARE NOT AND SHOULD NOT BE CONSIDERED PART OF SOME BENEFIT PAYMENT SYSTEM OF THE GOVERNMENT. WE ARE PEOPLE, CITIZENS, TAX-PAYERS AND WORKERS HIRED BY THE FEDERAL GOVERNMENT ACTING AS THE EMPLOYER.

CONGRESS MUST DECIDE HOW MUCH GOVERNMENT THEY NEED AND THEN WHAT DEGREE OF QUALITY THEY WANT IN A GOVERNMENT WORKFORCE. ALL PEOPLE ARE DIFFERENT AND ARE ATTRACTED TO AN EMPLOYER FOR DIFFERENT REASONS. EACH INDIVIDUAL LOOKS AT TOTAL COMPENSATION OFFERED AND DECIDES WHAT COMBINATION OF PAY AND FRINGE BENEFITS ARE MOST ATTRACTIVE TO THEM.

AS WE REVIEWED THE PERSONAL STATEMENTS OF EMPLOYEES, THIS CAME THROUGH LOUD AND CLEAR. EACH INDIVIDUAL HAD PERSONAL PRIORITIES REFERRING TO COMPENSATION. BUT THE MAIN THEME THAT CAME THROUGH IN ALL THE STATEMENTS IS THAT THEY ARE DEMORALIZED. THE ADMINISTRATION'S DIRECTION IS NOT LOGICAL.

IN CONCLUSION MADAM CHAIRWOMAN, FOR MANY YEARS, THE FEDERAL GOVERNMENT WAS CONSIDERED A QUALITY EMPLOYER, WITH RIGID ENTERANCE REQUIREMENTS, OFFERING GOOD PAY AND BENEFITS. THIS REPUTATION ATTRACTED PEOPLE TO FEDERAL SERVICE, ALTHOUGH THE PAY ALONE WAS NEVER CLOSE ENOUGH TO THE PRIVATE SECTOR TO ATTRACT THE BEST QUALIFIED PEOPLE, THE COMBINATION OF PAY, FRINGE BENEFITS AND REPUTATION WAS ADEQUATE TO SECURE SOME OF THESE INDIVIDUALS. THE GOVERNMENT, THROUGH GOOD MANAGEMENT PRINCIPLES, HAD DONE AN EXCELLENT JOB OF RECRUITING, FOR A MODEST OFFERING IN A TOTAL COMPENSATION PACKAGE.

IN RECENT YEARS WE HAVE ABANDONED GOOD MANAGEMENT FOR "THE QUICK DOLLAR; THE IMMEDIATE PAYBACK" -- THE DISEASE THAT HAS COST MANY CORPORATIONS IN THE U.S. THEIR COMPETITIVE EDGE.

WHAT CAN BE DONE TO RESOLVE THESE INEQUITIES? ALTHOUGH THERE IS NO QUICK FIX WHICH WILL RESOLVE ALL, HERE ARE SEVERAL SUGGESTIONS:

1. ALLOW THE PAY SYSTEMS TO FUNCTION AS INTENDED. THE EXISTING PAY SYSTEMS WERE INTENDED TO PROVIDE COMPARABILITY WITH PRIVATE INDUSTRY. HOWEVER, ARBITRARY CAPS HAVE CAUSED PAY, BOTH GS AND WAGE SYSTEM PAY, TO LAG SEVERELY BEHIND PRIVATE INDUSTRY. THIS MAKES IT VIRTUALLY IMPOSSIBLE TO COMPETE WITH LARGER COMPANIES FOR HIGH TECHNOLOGY SKILLS.
2. REVISE BENEFIT PACKAGES TO IMPROVE THE QUALITY OF THE BENEFITS AND REDUCE THE COST OF THE EMPLOYEE. WHEN YOUR SALARY IS ALREADY LAGGING BEHIND AND YOU ARE CONTRIBUTING SIGNIFICANTLY TO THE COST OF YOUR BENEFITS, YOUR "TAKE HOME" PAY IS SIGNIFICANTLY REDUCED.
3. DEVELOP A TOTAL COMPENSATION ANALYSIS METHOD TO DETERMINE COMPARABILITY. THE "PERKS" PROVIDED TO PRIVATE INDUSTRY EMPLOYEES FAR OUTWEIGH THOSE PROVIDED TO GOVERNMENT EMPLOYEES. WITH PRIVATE INDUSTRY PROVIDING THINGS FROM HEALTH CLUB MEMBERSHIP TO STOCK OPTIONS AND PROFIT SHARING, IT IS BECOMING INCREASINGLY DIFFICULT FOR THE FEDERAL GOVERNMENT TO BE COMPETITIVE.
4. REQUIRE MANDATORY WAGE SURVEY PARTICIPATION OF ALL COMPANIES HOLDING GOVERNMENT CONTRACTS.

THIS CONCLUDES MY TESTIMONY. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Ms. OAKAR. Thank you very much. I should say at the onset, that anyone who wants to submit their full statement as you have a more elaborate statement, we are going to accept full statements for the record. And, if there are any people in the audience who were not able to formally testify, we will be happy to have their testimony as well, for our record, because we know we cannot accommodate everybody and all the statements.

Mr. Minahan, we can hear from you.

**STATEMENT OF MICHAEL E. MINAHAN, NATIONAL PRESIDENT,
FEDERAL MANAGER'S ASSOCIATION, FROM THE STATE OF
NEW YORK**

Mr. MINAHAN. Madam Chair, I would like to expand on just a couple of the main issues that Mike discussed in his testimony.

And, one, is the historical relationship between the blue collar and white collar pay. Now, about 13 or 14 years ago, when they started putting arbitrary pay caps on the various pay systems, we had a very good relationship. And, I am speaking from personal experience now as an operating manager at Watervliet Arsenal.

We traditionally recruit our technicians, our technical personnel, from the blue collar areas, the machinists. And, what we have tracked over the years, when the blue-collar wages were not arbitrarily capped, as were the white collar, the general schedule pay, we had a very, very good, very attractive situation, where, for instance, a machinist could be recruited out of the crafts, and into a white-collar position and a technical position, with an objective of getting at least about a 20-percent increase in salary, through the promotion process. That they could grow into that.

But, as a result of the caps on the white-collar areas, and no caps on the blue collar until only a few years ago, that gap narrowed, to the point now, it is about 3 to 4 percent different. It is very difficult for us now to recruit those technicians from the crafts, as we had before. And, I have prepared a chart that will graphically illustrate these differences between 1972 and 1983. And, I would like to submit it for the record, if I may.

Ms. OAKAR. We would be happy to have it.

Mr. MINAHAN. Thank you.

Another area is in pay classification. Now, a number of times I personally asked Dr. Devine, when he was director at OPM, the Office of Personnel Management, that they ought to stop classifying manager positions by grading the position, based on the number of people supervised. We just felt it was more important to classify a manager for his responsibility, and not the numbers of personnel supervisors.

What it has done is cause a disincentive. Now, every manager in the Federal Government has a moral obligation to provide the best possible service to the taxpayers, our real employer. Managers ought to be compensated and rewarded for trimming their workforce, and they should not be penalized.

So, if we could not get it through the regulatory process, we would ask your committee to examine that. Now, we worked with the former chair of the Subcommittee on Human Resources, Congressman Albosta, with the Office of Personnel Management.

There may be a more conducive atmosphere in OPM now and in the coming months, to address that issue.

I would like to have, if we could, that at least examined by the Subcommittee on Human Resources, I understand it is Congressman Ackerman.

Ms. OAKAR. That is right, and he is a very fine chairman and I will pass that along to him.

Mr. MINAHAN. Thank you very much.

I would like to pass on some personal thanks to Congressman Stratton for being one of the original co-sponsors of H.R.H. 73, which ultimately passed. We had hearings on it October 2, 1984, before your committee, at a very, very busy time when you were trying to draw the Congress to a close. And, we had Mr. Stratton and Mr. Fazio, Mr. Dicks, and Mr. Wolf, speak on our behalf on that.

Happy to report to you that it is moving quite well now since it was passed and signed by the President a couple of weeks ago. We are now dealing with OPM. I have meetings next week. And, I want to thank you, staff director Jerry Klepner, Congressman Stratton, and Carol Koch, personally, for the fine job you did for all of us on that.

Ms. OAKAR. Let me say that your Congressman was really, along with Mr. Fazio, and others, but I think in my own mind's eye, of who really pushed me to have those hearings and to get the bill on the floor, was Congressman Stratton, and Vic Fazio, among others who really were responsible for calling it to my attention. So, that was a great form of cooperation, and we are glad to see that the things are working out, and you are implementing your opportunity to offer your health insurance plan to your members.

Mr. MINAHAN. We expect to offer a very competitive health insurance plan for our members, and thanks to you all.

I will be happy to answer any questions.

Ms. OAKAR. Thank you very much.

Our next witness is Julia Johnson, who is the spokesperson for the Federally Employed Women. Very happy to have you here, Ms. Johnson. Thank you for coming. It is one of my favorite organizations, as you might imagine.

STATEMENT OF JULIA JOHNSON, SPOKESPERSON, CAPITAL DISTRICT FEDERALLY EMPLOYED WOMEN

Ms. JOHNSON. Yes; I want to thank you and Congress, for asking our local representative of the Federally Employed Women to testify here today. Many women in the work force like myself, have earned considerably lower income from which their pensions will be based. Reduction in the cost of living allowance only serves to hasten the prospects and actuality of feminization of poverty.

Locally, over 75 percent of women in the Federal service are at grade 5 and below. This translates to a median income somewhere in the neighborhood of \$15,000. Because of this low income, women retire at a later age than men, to gain respectable retirement benefits.

Older women are the fastest growing poverty population in our Nation. Today, working for the Federal Government, there is no

guarantee that a Federal woman retiree will not join the increased ranks of eligible women living in poverty.

There are certain components of the present civil service retirement system that should be kept intact. We believe that the current structure of full benefits at age 55, with 30 years of service should be continued. We would also like to see the present computer of the 3 years of the highest earnings and benefits calculated, preserved.

If no COLA provision is provided to Federal retirement benefits, the benefits are quickly eroded away, and the philosophy of replacing a percentage of a retiree's salary is lost.

The proposed increase in the contribution to the retirement system would again impact most severely on low-income earners, who can least afford additional erosion of take home pay.

In the area of health benefits, even at a 50 percent employee's contribution, health care service is being priced right out of the average employee's ability to pay.

Most of our health care plans do not include dental coverage, or prescription drugs, as compared with the private sector, and the State plans which provide such coverage.

Additionally, those employees who are eligible for Medicare, must continue to carry health insurance to cover contingencies not covered by Medicare.

The lowest paid employees are the most severely affected by these increased health care deductions from that take home pay. All I know is that we all seem to be paying more for less coverage. Many of my co-workers, because of the escalating premiums, have had to downgrade their coverage, by going to a low option plan.

Pay equity was recently referred to in the media by the EEO director, Mr. Clarence Pendleton, as a "Looney Tunes" issue.

In the past few years, women's earnings have gone from 59 cents, for every dollar earned by a man, up to 62 cents. Now, I believe, it is back down to 60 cents earned by a working woman, for every dollar earned by a man.

The truth is, that from the beginning of the woman's participation as Federal employees, they were segregated into low paying separate occupations. Locally, better than 75 percent of all women in General Schedule Pay Systems are in grades 1 through 5. Less than 1 percent are manager/supervisor designees.

The Civil Service Reform Act of 1978 endorsed the concept of comparable worth. All Federal employees, regardless of sex, should be paid equally for jobs that are of comparable value to the Government, in terms of skill, effort, and responsibility.

In most Federal agencies that I know, the person sweeping the floor, makes more than a competent professional secretary.

Many key components of women's jobs are grossly undervalued, and a thorough analysis of the Federal classification system must be done to determine the extent of sex bias inherent in evaluations.

While the U.S. Commission on Civil Rights has urged Congress and Federal agencies to reject comparable worth, New York State's Governor, Mario Cuomo, sees pay equity as a family issue.

We believe it is the Federal Government that should lead the fight to end wage discrimination based on sex. The concept of comparable worth, or pay equity, is not a looney tune idea, but an

achievable remedy that would help correct wage discrimination in our society.

Madam Chair, there are some related concerns dealing with a woman's ability to obtain and retain employment. One of these is day care.

Approximately 20 percent of unemployed women would seek employment if day care service were accessible. Locally, there are no day care facilities available to Federal employees.

Another concern, is job sharing. Job sharing enables women access to employment, that might otherwise be unattainable for them, for whatever the reason. Alternating working hours and job sharing, can often ease some of the financial burden of child care. It also permits working couples to better stagger their working schedules to coincide with their children's school hours, thus, decreasing the need in expensive child care.

The advantage of increased morale, efficiency, and productivity to a more successful combined family responsibility, with a career, is, retention of top quality employees in the work force.

Thank you again for asking me to testify here. And, I will be happy to answer any questions you may have.

[Statement of Ms. Johnson follows:]

CAPITAL DISTRICT FEDERALLY EMPLOYED WOMEN

WRITTEN TESTIMONY ON COMPENSATION PRACTICES IN THE FEDERAL
GOVERNMENT BEFORE THE HOUSE SUBCOMMITTEE ON COMPENSATION AND
EMPLOYEE BENEFITS, 8 JULY 1985

CHAIRWOMAN OAKAR, THANK YOU FOR ASKING OUR LOCAL REPRESENTATION OF FEDERALLY EMPLOYED WOMEN (FEW) TO TESTIFY HERE TODAY. FEW IS AN INTERNATIONAL MEMBERSHIP ORGANIZATION REPRESENTING WOMEN IN THE FEDERAL GOVERNMENT THROUGHOUT THE UNITED STATES AND FOREIGN NATIONS. OUR LOCAL CHAPTER WAS CHARTERED IN 1979, AND WE ARE NOW AFFILIATED WITH THE NEW YORK METRO CHAPTER.

THE ISSUE OF FEDERAL EMPLOYEES' BENEFITS IS AN IMPORTANT AND TIMELY ONE. WE APPLAUD YOU, MADAM CHAIR, FOR YOUR RESPONSE TO OUR CONCERNS BY CHAIRING HEARINGS ON THE SUBJECT TODAY. WE ARE GRATEFUL THAT YOU HAVE COME TO HEAR WHAT WE HAVE TO SAY.

I WOULD LIKE TO ADD THAT WE LOOK FORWARD TO WITNESSING THE PRESENTATION TO YOU OF THE "DISTINGUISHED SERVICE AWARD" FROM NATIONAL FEW AT THEIR CONVENTION IN DETROIT LATER THIS MONTH.

MADAM CHAIR, WE HAVE BEEN ASKED TO CONFINE OUR TESTIMONY TO THE IMPACT OF THE CURRENT PAY SYSTEM AND ADMINISTRATION PROPOSALS TO REDUCE RETIREMENT AND HEALTH BENEFITS.

MANY WOMEN IN THE WORKFORCE LIKE MYSELF, HAVE EARNED CONSIDERABLY LOWER INCOMES ON WHICH THEIR PENSIONS WILL BE BASED. THE REDUCTION IN COST-OF-LIVING ALLOWANCES ONLY SERVES TO HASTEN THE PROSPECT AND ACTUALITY OF THE "FEMINIZATION OF POVERTY". LOCALLY, OVER SEVENTY-FIVE PER CENT OF THE WOMEN IN THE FEDERAL SERVICE ARE AT GRADES GS-05 AND BELOW. THIS TRANSLATES TO A MEDIAN INCOME SOMEWHERE IN THE NEIGHBORHOOD OF \$15,000.

CONTRARY TO THE PERCEPTION THAT WOMEN ARE NOT SERIOUS ABOUT CAREERS, IT IS A FACT THAT THE MEDIAN YEARS OF SERVICE FOR BOTH MEN AND WOMEN ARE COMPARABLE. WHAT IS INTERESTING, HOWEVER, IS THE FACT THAT WOMEN TEND TO RETIRE AT A LATER AGE THAN MEN IN ORDER TO GAIN FULL RETIREMENT BENEFITS. THEREFORE, WOMEN'S LOW RETIREMENT ANNUITIES CAN IN LARGE PART, BE ATTRIBUTED TO THEIR LOW EARNINGS.

OLDER WOMEN ARE THE FASTEST GROWING POVERTY POPULATION IN OUR NATION. FEDERAL WOMEN RETIREES SHARE THE SAME BURDENS IN THEIR RETIREMENT YEARS AS ALL OTHER WOMEN. THE GREAT MAJORITY OF ELDERLY WOMEN LIVE ALONE, DEPEND ON THEIR RETIREMENT BENEFITS FOR THE MAJORITY OF THEIR INCOME, AND PAY INCREASING SHARES OF THAT INCOME FOR MEDICAL BILLS. TODAY, WORKING FOR THE FEDERAL GOVERNMENT IS NO GUARANTEE THAT A FEDERAL WOMAN RETIREE WILL NOT JOIN THE INCREASING RANKS OF ELDERLY WOMEN LIVING IN POVERTY. WOMEN WHO DEVOTE THEIR WORKING LIVES TO THE FEDERAL GOVERNMENT MUST BE GUARANTEED A DECENT STANDARD OF LIVING UPON RETIREMENT.

THERE ARE CERTAIN COMPONENTS OF THE PRESENT CIVIL SERVICE RETIREMENT SYSTEM THAT SHOULD BE KEPT IN TACT. WE BELIEVE THAT THE CURRENT STRUCTURE OF FULL BENEFITS AT AGE 55 WITH THIRTY YEARS OF SERVICE SHOULD BE CONTINUED. MANY EMPLOYEES HAVE ENTERED THE FEDERAL SERVICE WITH THE UNDERSTANDING THAT THEY CAN EXERCISE THIS OPTION. ALTHOUGH WOMEN EMPLOYED BY THE FEDERAL GOVERNMENT CURRENTLY RETIRE LATER THAN THEIR MALE COUNTERPARTS, THEY SHOULD RETAIN THE OPTION OF RETIREMENT AT AGE 55. ALSO, AS WE SEE WOMEN'S LABOR FORCE ATTACHMENT GROW STRONGER AND MORE CONTINUOUS, IT IS LIKELY THAT MORE WOMEN WILL HAVE ENOUGH YEARS OF SERVICE TO

RETIRE WITH FULL BENEFITS AT AGE 55. WE WOULD ALSO LIKE TO SEE THE PRESENT COMPUTATION OF THE THREE YEARS OF HIGHEST EARNINGS AND BENEFIT CALCULATIONS PRESERVED. ALTHOUGH WOMEN HAVE A RELATIVELY FLAT EARNINGS PROFILE AS OPPOSED TO MALE WORKERS, WOMEN ARE BEGINNING TO MAKE INROADS INTO THE HIGHER PAYING GRADE LEVELS. BECAUSE THIS MOVEMENT IS RELATIVELY RECENT, EXPANDING THE COMPUTATION YEARS WILL ONLY SERVE TO LOWER WOMENS' FINAL ANNUITY. AVERAGING LIFE-LONG EARNINGS, AS IN THE SOCIAL SECURITY SYSTEM, WOULD DRASTICALLY LOWER THESE WOMEN'S RETIREMENT ANNUITIES. TO PROTECT RETIREMENT BENEFITS FROM INFLATION, COST-OF-LIVING ADJUSTMENTS MUST BE PAID ON AN ANNUAL BASIS. IF NO COLA PROVISION IS PROVIDED TO FEDERAL RETIREMENT BENEFITS, THE BENEFITS ARE QUICKLY ERODED AWAY AND THE PHILOSOPHY OF REPLACING A PERCENTAGE OF A RETIREE'S SALARY IS LOST.

THE MEDIAN REPLACEMENT RATE FOR A FEDERAL RETIRED WOMAN IS 46.5 PER CENT (BASED ON THE THREE YEARS OF HIGHEST EARNINGS). ANY REDUCTION IN THIS AMOUNT IS INADEQUATE TO LIVE ON. A WOMAN RETIRED FROM THE FEDERAL GOVERNMENT MUST BE ABLE TO KEEP HER PURCHASING POWER IN PACE WITH INFLATION.

I SUBMIT ALSO, THAT FEDERAL WORKING WOMEN ARE ALSO VICTIM IN SOME BASES TO THE SOCIAL SECURITY PENSION OFFSET, WHICH MAY DIMINISH BY AS MUCH AS TWO-THIRDS, THE SURVIVOR BENEFITS PAID INTO THE SYSTEM BY A WORKING SPOUSE.

IT HAS BEEN STATED THAT FEDERAL EMPLOYEES HAVE TO REACH THE GENERAL SCHEDULE GRADE NINE LEVEL BEFORE THEY RECEIVE A

FEDERAL ANNUITY AS LARGE AS THE SOCIAL SECURITY BENEFIT. BECAUSE MOST WOMEN ARE CONCENTRATED IN GRADES BELOW GENERAL SCHEDULE NINE, THEY ARE RECEIVING LOWER RETIREMENT ANNUITIES THAN THEIR PRIVATE SECTOR COUNTERPARTS.

ALTHOUGH THERE IS A WEALTH OF INFORMATION ON THE PROPOSED SUPPLEMENTAL CIVIL SERVICE RETIREMENT PLANS, THERE IS LITTLE DATA ON HOW THESE PROPOSALS WOULD IMPACT ON WOMEN RETIRED FROM THE FEDERAL GOVERNMENT.

THE PROPOSED INCREASE IN THE CONTRIBUTION TO THE RETIREMENT SYSTEM WOULD AGAIN IMPACT MOST SEVERELY ON LOW INCOME EARNERS WHO CAN LEAST AFFORD ADDITIONAL EROSION OF TAKE HOME PAY.

THE WOMEN I TALK TO ABOUT THE PROPOSED CHANGES IN THE RETIREMENT SYSTEM ARE CONCERNED, AND CONFUSED. THE PROSPECT OF RAISING THE RETIREMENT AGE BEYOND 55 WILL DRASTICALLY AFFECT THOSE WOMEN WHO WILL BE RECEIVING LOW ANNUITIES, AND WHO MUST MOVE TO PART-TIME EMPLOYMENT WITH THE STATE OR IN THE PRIVATE SECTOR TO SUPPLEMENT THOSE ANNUITIES, AS IS PREVALENT AMONG FEDERAL WOMEN RETIREES.

IF THE FEDERAL GOVERNMENT REDUCES RETIREMENT BENEFITS, GOVERNMENT MORALE WILL SUFFER. A GOOD RETIREMENT SYSTEM ENCOURAGES GOVERNMENT EMPLOYEES TO HAVE A LIFE CAREER, AND ESTABLISHES A STABLE AND EFFICIENT WORKFORCE. WE BELIEVE THAT THE FEDERAL GOVERNMENT SHOULD SERVE AS A LEADER IN PROVIDING A SYSTEM THAT TAKES THE TRADITIONAL GOALS AND REWARDS OF GOVERNMENT SERVICE INTO ACCOUNT TO PRODUCE A SYSTEM FOR RETIREMENT ANNUITIES THAT IS FAIR AND EQUITABLE TO BOTH MEN AND WOMEN.

IN THE AREA OF HEALTH BENEFITS, LET ME BEGIN BY SAYING THAT IT IS MY OBSERVATION THAT MOST FEDERAL EMPLOYEES DON'T UNDERSTAND THEIR HEALTH BENEFIT PLANS, AND DON'T KNOW WHERE TO GET GOOD INFORMATION ON THE MERITS OF ANY OF THE NUMEROUS PLANS AVAILABLE.

PLANS KEEP CHANGING COVERAGE, AND COST OF PREMIUMS ARE FAST APPROACHING THE INAFFORDABLE RANGE. BUT WE ALL KNOW THAT YOU CAN'T AFFORD TO BE WITHOUT HEALTH COVERAGE. THE CURRENT MALPRACTICE CONFRONTATION AMONG DOCTORS AND LAWYERS IN NEW YORK STATE WILL MOST CERTAINLY HAVE SOME TRICKLE-DOWN EFFECT MANIFEST IN ANOTHER PREMIUM HIKE. EVEN AT 57 PER CENT EMPLOYEE CONTRIBUTION, HEALTH CARE SERVICE IS BEING PRICED RIGHT OUT OF THE AVERAGE EMPLOYEE'S ABILITY TO PAY. ONE WOMAN I KNOW HAD HER DELAYED COST-OF-LIVING ADJUSTMENT RECEIVED IN JANUARY COMPLETELY EATEN UP BY AN ACCOMPANYING \$20.00 PER PAY PERIOD INCREASE IN HER HEALTH CARE PREMIUM -- AND EVEN THEN, IT WAS FOR A LOW OPTION PLAN.

MOST OF OUR HEALTH PLANS DO NOT INCLUDE DENTAL COVERAGE, OR PERScription DRUGS, AS COMPARED WITH PRIVATE SECTOR AND STATE PLANS WHICH PROVIDE SUCH COVERAGE. ADDITIONALLY, THOSE EMPLOYEES WHO ARE ELIGIBLE FOR MEDICARE MUST CONTINUE TO CARRY HEALTH INSURANCE TO COVER CONTINGENCIES NOT COVERED BY MEDICARE.

ALL INCREASED CONTRIBUTIONS AND PREMIUM COST TO EMPLOYEES FOR ADEQUATE HEALTH CARE WILL BE UNILATERALLY APPLIED. BUT THE BOTTOM LINE IS THAT THE LOWEST PAID EMPLOYEES ARE THE MOST SEVERELY AFFECTED BY THESE INCREASED HEALTH CARE DEDUCTIONS FROM

THEIR TAKE HOME PAY.

ALL I KNOW IS THAT WE ALL SEEM TO BE PAYING MORE FOR LESS COVERAGE. MANY OF MY CO-WORKERS, BECAUSE OF ESCALATING PREMIUMS, HAVE HAD TO DOWN-GRADE THEIR COVERAGE BY GOING TO LOW OPTION PLANS.

PAY EQUITY WAS RECENTLY REFERRED TO IN THE MEDIA BY THE EEOC DIRECTOR AS A "LOONEY TUNES" ISSUE.

THE FACT THAT WOMEN ARE PAID LESS THAN MEN IN OUR SOCIETY HAS A HISTORY ENTRENCHED IN THE EARLY DAYS OF CIVIL SERVICE WHEN IN 1864 THE FIRST STATUTORY RECOGNITION OF FEDERAL EMPLOYMENT FOR WOMEN ESTABLISHED A MAXIMUM SALARY OF \$600 PER YEAR FOR WOMEN CLERKS. AT THAT TIME, MEN WERE BEING PAID \$1,200 TO \$1,500 PER YEAR.

IN THE PAST FEW YEARS, WOMEN'S EARNINGS HAVE GONE FROM 59 CENTS FOR EVERY DOLLAR EARNED BY A MAN, UP TO 62 CENTS. NOW, I BELIEVE, IT'S BACK DOWN TO 60 CENTS EARNED BY A WORKING WOMAN FOR EVERY DOLLAR EARNED BY A MAN.

THE PERSISTENT WAGE GAP HAS RESULTED IN WOMEN HAVING FEWER EARNINGS TO SUPPORT THEMSELVES AND THEIR FAMILIES. THE WAGE GAP REFLECTS THE DEEP ROOTED SEXUAL DISCRIMINATION THAT IS SO PREVALENT IN THIS WORLD. THE MALE-FEMALE WAGE DIFFERENTIAL IS WELL DOCUMENTED IN THE PRIVATE SECTOR, IN STATE AND LOCAL GOVERNMENTS, AND IN THE FEDERAL WORKPLACE. NUMEROUS STUDIES HAVE BEEN CONDUCTED THAT DEMONSTRATE WHEN AGE, LABOR FORCE EXPERIENCE, GEOGRAPHIC LOCALITY, AND EDUCATIONAL ATTAINMENT

IS HELD CONSTANT FOR MEN AND WOMEN, A TWENTY PER CENT WAGE DIFFERENTIAL STILL EXISTS. THIS TWENTY PER CENT EARNINGS GAP IS USUALLY ATTRIBUTED TO SEX DISCRIMINATION IN THE LABOR MARKET.

THE WAGE GAP BETWEEN MEN AND WOMEN IS NOT GOING TO GO AWAY BY ITSELF. LEGISLATION AS WELL AS LITIGATION IS NECESSARY TO CORRECT THIS INEQUITABLE SITUATION. THE PROPONENTS OF A FREE MARKET SYSTEM INSIST THAT SUPPLY AND DEMAND DETERMINE MARKET WAGES, AND THEREFORE WOMEN ARE RECEIVING WAGES IN ACCORDANCE WITH THEIR WORTH TO SOCIETY.

THE TRUTH IS THAT FROM THE BEGINNING OF WOMEN'S PARTICIPATION AS FEDERAL EMPLOYEES, THEY WERE SEGREGATED INTO LOW PAYING SEPARATE OCCUPATIONS. LOCALLY, BETTER THAN 95% OF ALL WOMEN IN THE GENERAL SCHEDULE PAY SYSTEM ARE IN GRADES ONE THROUGH FIVE. LESS THAN ONE PERCENT ARE MANAGER/SUPERVISOR DESIGNEES.

THE FACT THAT WOMEN ARE IN THE LOWEST GRADES DIRECTLY RESULTS IN FEDERALLY EMPLOYED WOMEN EARNING LOWER WAGES THAN MEN EMPLOYED BY THE FEDERAL GOVERNMENT. IN ADDITION, WITHIN EACH OCCUPATIONAL SERIES (PROFESSIONAL, ADMINISTRATIVE, TECHNICAL, AND CLERICAL), MEN CONSISTENTLY EARN MORE THAN WOMEN.

THE CIVIL SERVICE REFORM ACT OF 1978 ENDORSED THE CONCEPT OF COMPARABLE WORTH. ALL FEDERAL EMPLOYEES, REGARDLESS OF SEX, SHOULD BE PAID EQUALLY FOR JOBS THAT ARE OF COMPARABLE VALUE TO THE GOVERNMENT IN TERMS OF SKILL, EFFORT, AND RESPONSIBILITY. IN MOST FEDERAL AGENCIES THAT I KNOW, THE PERSON SWEEPING THE FLOOR MAKES MORE THAN A COMPETENT PROFESSIONAL SECRETARY.

GOVERNMENT OFFICIALS AT THE OFFICE OF PERSONNEL MANAGEMENT CLAIM THAT COMPARABLE WORTH IS NOT A PROBLEM IN THE FEDERAL SERVICE. THIS CLAIM IS BASED ON THE FACT THAT THE GOVERNMENT HAS A UNIFIED JOB CLASSIFICATION SYSTEM WHICH MEASURES ALL WHITE COLLAR JOBS BY THE SAME YARDSTICK, AND THAT ONE SET OF DEFINITIONS APPLIES TO ALL GS LEVELS. IF THE FEDERAL SECTOR IS FREE OF SEX DISCRIMINATION IN JOB EVALUATIONS, WHY DO WOMEN EMPLOYEES CONSISTENTLY EARN LESS THAN THEIR MALE COUNTERPARTS?

THE FACTOR EVALUATION SYSTEM (FES) ESTABLISHED IN THE 1970'S, IS A PROGRESSIVE SYSTEM IN THAT IT DOES FORMALIZE AND RATIONALIZE JOB CRITERIA IN A SYSTEMATIC WAY. QUANTITATIVE MEASUREMENTS REPLACED NARRATIVE INTERPRETATIONS FOR ASSIGNING VALUES TO DIFFERENT OCCUPATIONS. THE PROBLEM EXISTS, HOWEVER, ON THE RANKING OF FACTORS. MANY KEY COMPONENTS OF "WOMEN'S JOBS" ARE GROSSLY UNDERVALUED. SOME OF THOSE COMPONENTS OF MANY CLERICAL OCCUPATIONS, FOR EXAMPLE, SPEED AND FINE MOTOR REQUIREMENTS, AND ADAPTING TO NEW TECHNOLOGY, ARE GIVEN LOW PRIORITY WHEN RANKING FACTORS IN JOB EVALUATIONS. DAILY CONTACT WITH OFFICIALS IS MORE HIGHLY VALUED THAN DAILY CONTACT WITH PATIENTS, FOR EXAMPLE. TAKING CARE OF PEOPLE IS LESS VALUED THAN OPERATING MACHINES. THE NINE FACTORS USED IN EVALUATING JOBS, AND THE VALUE ASSIGNED TO EACH FACTOR IS BASED ON OUTMODED VALUE JUDGMENTS AND PERCEPTIONS. A THOROUGH ANALYSIS OF THE FEDERAL CLASSIFICATION SYSTEM MUST BE DONE TO DETERMINE THE EXTENT OF SEX BIAS INHERENT THEREIN.

THERE ARE MANY COMPELLING REASONS WHY PAY EQUITY SHOULD BE REALIZED IN OUR SOCIETY. WOMEN HAVE THE SAME EXPENSES AS MEN AND SHOULD NOT BE PENALIZED BECAUSE OF THEIR SEX. THE WAGE GAP HAS CONTRIBUTED TO THE GROWING NUMBERS OF WOMEN AND CHILDREN WITH INCOME BELOW THE POVERTY LEVEL. WOMEN HEADING HOUSEHOLDS AS WELL AS ELDERLY WOMEN ARE INCREASINGLY LIVING IN POVERTY. RETIREMENT ANNUITIES ARE DEPENDENT ON ONE'S LIFETIME EARNINGS. LOW WAGES DIRECTLY TRANSLATE INTO SMALL PENSIONS. THIS IS A PROBLEM SHARED BY WOMEN IN BOTH PRIVATE AND PUBLIC EMPLOYMENT.

IN ADDITION, WOMEN WHO ARE EMPLOYED BY THE FEDERAL GOVERNMENT CONTRIBUTE AS MUCH AS MALE WORKERS TO THE EFFICIENCY AND PRODUCTIVITY OF THE FEDERAL GOVERNMENT.

WHILE THE UNITED STATES COMMISSION ON CIVIL RIGHTS HAS URGED CONGRESS AND FEDERAL AGENCIES TO REJECT COMPARABLE WORTH, NEW YORK STATE'S GOVERNOR MARIO CUOMO SEES PAY EQUITY AS A "FAMILY ISSUE". A PROVISION OF THE NEW THREE-YEAR CONTRACT NEGOTIATED BETWEEN THE STATE AND THE CIVIL SERVICE EMPLOYEES ASSOCIATION INCLUDES SET ASIDE OF FUNDS EQUAL TO ONE PER CENT OF PAYROLL FOR EMPLOYEES IN CSEA BARGAINING UNITS TO BE USED TO IMPLEMENT RECOMMENDATIONS RESULTING FROM COMPARABLE WORTH AND CLASSIFICATION STUDIES.

WE BELIEVE IT IS THE FEDERAL GOVERNMENT THAT SHOULD LEAD THE FIGHT TO END WAGE DISCRIMINATION BASED ON SEX. THE CONCEPT OF COMPARABLE WORTH, OR PAY EQUITY IS NOT A LOONEY TUNES IDEA, BUT AN ACHIEVEABLE REMEDY THAT WOULD HELP CORRECT WAGE DISCRIMINATION IN OUR SOCIETY.

MADAM CHAIR, WE HAVE ATTEMPTED TO PRESENT THE WOMAN'S PERSPECTIVE ON THE ISSUES ADDRESSED TODAY. THERE ARE, HOWEVER, SOME RELATED CONCERNS DEALING WITH A WOMAN'S ABILITY TO OBTAIN AND RETAIN EMPLOYMENT.

ONE OF THESE IS DAY CARE. IN NEW YORK STATE, THERE ARE LICENSED DAY CARE FACILITIES TO ACCOMMODATE ROUGHLY TEN PER CENT OF THE NEED. IN THE CAPITAL DISTRICT AREA, SOME OF THE EXISTING CENTERS MAY BE FORCED TO CLOSE BECAUSE OF THEIR INABILITY TO SECURE ADEQUATE INSURANCE COVERAGE.

APPROXIMATELY TWENTY PER CENT OF UNEMPLOYED WOMEN WHO ARE NOT LOOKING FOR WORK, AND WHO HAVE PRE-SCHOOL CHILDREN REPORT THAT THEY WOULD SEEK EMPLOYMENT IF WORK WERE AVAILABLE, AND IF DAY CARE SERVICES WERE ACCESSIBLE.

THE PROVISION OF ADEQUATE AND SUITABLE DAY CARE IS AN INCREASINGLY CRITICAL ISSUE NOT ONLY FOR NEW YORK WOMEN, BUT FOR THE COUNTRY AS A WHOLE. THERE ARE, ADDITIONALLY, LITERALLY MILLIONS OF "LATCH KEY" CHILDREN -- CHILDREN STAYING AT HOME WITHOUT SUPERVISION, WHILE THEIR PARENTS WORK.

THE STATE OF NEW YORK TAKES PRIDE IN THE FACT THAT THEY HAVE AT LEAST MADE SOME ACKNOWLEDGEMENT OF THE PROBLEM, BY ESTABLISHING A FEW CENTERS FOR THEIR WORKERS. LOCALLY, THERE ARE NO DAY CARE FACILITIES FOR FEDERAL EMPLOYEES, DESPITE SURVEYS CONDUCTED AT THE O'BRIEN BUILDING AND WATERVLIET ARSENAL WHICH CLEARLY ATTEST TO THE NEED.

FINALLY, WE WOULD LIKE TO ADDRESS ALTERNATIVE WORK SCHEDULES. JOB SHARING AS A PART-TIME WORK OPTION HAS BEEN IMPLEMENTED IN SEVERAL NEW YORK STATE AGENCIES WITH POSITIVE

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RESULTS.

RECOGNIZING THAT SOME EMPLOYEES MAY WANT OR NEED TO WORK LESS THAN FULL-TIME FOR ECONOMIC, PHYSICAL, OR PERSONAL REASONS, AND THAT PART-TIME EMPLOYMENT CAN BENEFIT BOTH MANAGEMENT AND THE EMPLOYEE, JOB SHARING IS A CONCEPT THAT SEEMS TO OFFER THE BEST OF BOTH WORLDS.

WHILE IT IS APPARENT THAT A PART TIME/JOB SHARING WORKFORCE WILL DOUBTLESS BE PREDOMINANTLY COMPRISED OF WOMEN, WHAT IS IMPORTANT IS THAT SUCH OPTION ENABLES WOMEN ACCESS TO EMPLOYMENT THAT MIGHT OTHERWISE BE UNATTAINABLE FOR THEM FOR WHATEVER REASON.

MOST WOMEN WORK BECAUSE OF ECONOMIC NEED. MANY FAMILIES ARE DEPENDENT UPON DUAL WAGES IN ORDER TO MAINTAIN A DECENT STANDARD OF LIVING. TAKING A FEW YEARS OFF TO RAISE CHILDREN IS NOT AN OPTION MANY WOMEN CAN AFFORD THESE DAYS. IN ADDITION, THE NUMBERS OF WOMEN, AND ESPECIALLY MINORITY WOMEN WHO ARE HEADS OF HOUSEHOLDS IS INCREASING.

ALTERNATIVE WORK SCHEDULES ALLOW MANY WOMEN WHO WORK FOR THE FEDERAL GOVERNMENT TO MORE SUCCESSFULLY COMBINE THEIR CAREERS WITH THEIR PERSONAL LIVES. BY ALTERNATING WORKING HOURS, WOMEN CAN OFTEN EASE SOME OF THE FINANCIAL BURDEN OF CHILDCARE. ALTERNATIVE WORK SCHEDULES ALSO BENEFIT TWO PARENT FAMILIES WHO ARE BOTH EMPLOYED BY THE FEDERAL GOVERNMENT IN THAT COUPLES ARE BETTER ABLE TO STAGGER THEIR WORK SCHEDULES TO COINCIDE WITH THEIR CHILDREN'S SCHOOL HOURS, THUS DECREASING THE NEED (AND EXPENSE) OF CHILD CARE.

ALTERNATIVE WORK SCHEDULES ALSO OFFER MORE OPPORTUNITY FOR PART-TIME STUDENTS TO CONTINUE THEIR EDUCATION OR PURSUE ADVANCED DEGREES.

WE URGE PERMANENT AUTHORIZATION OF ALTERNATIVE WORK SCHEDULES AS A MEANS TO PROVIDE FEDERAL WOMEN AND THE GOVERNMENT WITH THE ADVANTAGES OF INCREASED MORALE, EFFICIENCY AND PRODUCTIVITY, VERSATILITY TO MORE SUCCESSFULLY COMBINE FAMILY RESPONSIBILITIES WITH A CAREER, EXPAND THE LABOR POOL, AND MORE READILY RECRUIT AND RETAIN TOP QUALITY EMPLOYEES INTO THE WORKFORCE.

FINALLY, WE URGE THAT THE CONCEPT OF JOB SHARING BE SERIOUSLY VIEWED IN THE FEDERAL SECTOR AS A PART-TIME WORK OPTION.

THANK YOU MADAM CHAIR FOR ASKING ME TO TESTIFY HERE TODAY. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS THE COMMITTEE HAS.

Ms. OAKAR. I would like to comment on your testimony and ask you some questions since you touched on pay equity.

The study of the situation happens to be my bill, so I am very happy that you touched on it, and I will be asking you some questions about that.

Our next witness is Mr. George Pflegl, the president of Local 2027, for the National Federation of Federal Employees.

**STATEMENT OF GEORGE PFLEGL, PRESIDENT, LOCAL 2027,
NATIONAL FEDERATION OF FEDERAL EMPLOYEES**

Mr. PFLEGL. Good afternoon, Madam Chair. Good afternoon, Congressman Stratton. Thank you for this opportunity to speak before you. I have a written presentation for the record which I will submit.

Ms. OAKAR. We will be happy to have the entire statement for the record, and what other material you want to submit.

Mr. PFLEGL. Thank you.

I would like to say a few words. I am almost a little bit chagrined or embarrassed when I hear the plight of federally employed women. I represent what should be the other end of the spectrum. Our local represents about 125 professional engineers and scientists employed at Benet Weapons Laboratory. We are located at Watervliet Arsenal.

These are people who have spent anywhere from 4 to 14 years in training, and are still continuing to advance their training. Many of them have advanced degrees, their doctorates, in very technical fields. In working in these fields at Benet, they have often narrowed their interests to meet the demands of the Army, and, therefore, have in some ways reduced their salability on the outside to private industry.

My formal report includes some facts and figures, but there is really no need to dwell on those. You have quoted them so well with your opening remarks, I was a little bit embarrassed to see what little I knew about it.

There have been surveys regarding engineers and scientists. Those prepared by the American Association of Engineering Societies have very detailed statistics on the salary of engineers and scientists. The Bureau of Labor Statistics has its own professional administrative technical and clerical surveys which coincide with the results of the other survey.

But, currently, what do these statistics mean to the individuals that I represent, the professional people?

At my particular location, GS-12, is about the top of the promotional ladder. Above that, it is very hard to get promotions. I have had managers come to me and ask me if I could help them get promotions for their people. As yet, I have not been able to. But, at that level, the top level, we find that the engineers and scientists receive about \$7,700 a year less than the median salary for those same people, across the board.

These are people working in the R&D industry. Research and development is the key to continued growth. These people put in a tremendous amount of effort producing a product, ideas, concepts that lead to the support of today's and tomorrow's Army. We pay

toward retirement. That \$7,700 figure is then increased by another \$3,700, because we have retirement and health costs passed on to the employee.

When we go to professional society meetings, we talk to other people and we find that our health benefits are less than what they receive. Therefore, we have to shell out of pocket for expenses that are covered by their health insurance plans.

That now \$11,400 difference, is further increased. What is the effect currently on our people?

Well, people are leaving. People have left. The most talented and self-confident have left first. People currently are looking. They are looking from both sides. We have people who are very talented. They are being contacted by private industry, other organizations, saying, will you come work for us. Some, as I told you in my written submission, are tied to the area because of family, or perhaps, they lack that self-confidence. They feel because they have worked for the Federal Government for so long, that the Federal Government will, indeed, take care of them.

However, current rhetoric makes professionals think that Congress and the executive branch cannot read because there are all sorts of statistics. The previous surveys I have quoted are there, and yet, we hear in the paper and from the executive branch now, particularly, that we are overpaid and underworked.

What does this do to the people I work with?

Well, it gives them the feeling that there is propaganda being handed out. That we are being offered a distorted view of America.

We heard for so long that the Soviet people are indoctrinated and only told what they are supposed to hear. Well, we are beginning to think that may be happening here in the United States. Morale is exceedingly low. People want to believe in the Government they work for, and yet, they see the salaries and discrepancies. They have problems with health insurance. They are having a hard time reconciling the rhetoric with the proposals and the current statistics, and the way they are living.

In the future, it is just going to get worse. As I said before, we are middle class America. We are at the bottom of middle class America. People I represent, are trying to figure out how they are going to send their children to college. Many of us are the first in our families to have a college education, and now, we want the same for our children, but we are making just too much, a little bit too much, to get aid of any sort, and then, we are not making enough to be able to afford it ourselves.

Many of them are mortgaging their homes for a second time. Children are taking summer jobs and working long hours and risking their education by taking a full-time job, too.

The future, well, the future is that unless something changes, these people are going to either break, or they are going to leave. In either case, it is going to be a loss to the Federal Government. It is going to be a loss to our Nation as a whole, because these people are talented. And, when a person gets so demoralized and down in spirit that he just does not care whether he does his job or not, it is going to be a tremendous loss.

Suggestions, well, I do not really know. I have—when I came into the Federal service, there was a scientific and engineering salary

adjustment that was available to some engineers and scientists. That is available today, but only in the lower grades.

Today, we are looking at a 30-percent difference between the median salary in industry, and what we are receiving. That 30 percent, is too much. Somewhere along the line, we need to stop the rhetoric, start looking at how private companies are run, the benefits that they pay, and try to convince not only the worker, but the American people, that the Federal worker is an honest, hardworking person, trying to do his job, and serve his country. That country, should not ask him to give up his entire existence, just because he wants to be in Federal service.

Thank you.

[Statement of Mr. Pflegl follows:]

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TO
U.S. House of Representatives
Committee on Post Office and Civil Service
Subcommittee on Compensation and Employee Benefits
Mary Rose Oakar, Ohio, Chair

In Hearing, July 8, 1985

FROM
Local 2027
National Federation of Federal Employees
Benet Weapons Laboratory
Watervliet Arsenal
Watervliet, New York
G. Albert Pflegl, President

Local 2027 of the National Federation of Federal Employees, represents the professional employees of the Benet Weapons Laboratory, a branch of the U.S. Army Research and Development Center and located at Watervliet Arsenal, Watervliet, New York. The approximately one-hundred and twenty-five people represented are individuals with earned degrees (many advanced) working in engineering and the physical sciences in a research and development setting. These professionals are dedicated men and women who produce concepts, products, and methods of manufacture which support the Army of today and tomorrow with tank cannon, field artillery, and mortars. They use their talent and education to form ideas into tangible reality. They work to produce a better product at less cost in order to meet the defense and budget demands of their government. And, though they have to deal with administrative tasks and red-tape (more so than their private sector counterparts), they are in no way mere "paper shufflers".

Most of the professionals have adapted to the red-tape and bureaucracy. But they are finding it harder to adapt to the low pay and reduced benefits. These people have read articles in publications such as ASME NEWS (April '85 issue) and MACHINE DESIGN (June 6, '85 issue) which quote from the 1984 salary survey of the Engineering Manpower Commission of the American Association of Engineering Societies. This survey reports on the earnings and

benefits of 113,000 engineers employed by 650 industrial, educational, and governmental organizations. This survey agrees with (and elaborates on) the results of the Bureau of Labor Statistic's Professional Administrative Technical and Clerical (PATC) survey which covered over one-half million engineers classified into eight work groups.

And what did these surveys show? Quoting the MACHINE DESIGN article, "Upper and lower boundaries [on earnings] are provided by median salaries of engineers employed by petroleum companies and by [the] Federal government, respectively. The earnings differential between these curves ranges from \$8,800 for beginners to \$39,750 for the most experienced." Industry-employed engineers had a median salary of \$38,500, while government-employed engineers had a median of \$30,900. Thus the median of the upper level was more than twice that of the government worker. But, the professionals of Benet Weapons Laboratory work in research and development positions which are the heart of growth, and are usually compensated at a higher rate.

For the R&D community the median salary is \$44,700. The average GS-12 scientist or engineer (an upper level position, and now the top of the promotion ladder at Benet) sees this as being \$7,700 above his or her own salary. When these same people participate in professional organizations such as ASME, ASTM, ACS, etc., they find out that their private sector counterparts also have their retirement and health insurance costs borne by their employers. This represents another \$3,700 pay difference to the GS-12 professional. That \$11,400 a year differential is VERY LARGE to someone making \$36,900 a year and who is being told that he is overpaid and underworked by the government he serves. To make matters worse, the professionals often find that the 30% salary increase is not the only thing that has been sacrificed to work as a Federal employee.

Private sector workers not only have a prepaid health plan, but one that offers more benefits, such as dental and eye care for the family. That \$11,400 salary difference grows larger when one adds the \$2,000 for orthodontics or the \$850 for "non-covered" medical fees. Not only does the private sector employee make more, but his or her employer may often help that money increase with a stock option or 401K savings plan. On top of this, add the fact that attendance at various conferences and professional society meetings necessitate the expenditure of personal funds of the professional because per diem pay is so restrictive. But sacrifice has become "normal" for the Federal employee.

Why do these talented, educated, professional people continue to stay? The answer is - they don't; or don't want to, but are forced to. Many of our people have left. Their capabilities are lost to those who remain and the work that they would have done can not be used to meet the Army's requirements. They have been readily accepted by private industry and many have made significant contributions to their new employers.

And for those who have stayed; why do they continue to endure? Many face the problem of age and time in service - they just have to work for a year or two or three ... But now proposed

budgetary cuts in retirement benefits cause these people to worry. Others stay because they are tied to the area due to family or friends. Many stay because of low self-esteem and lack of personal self confidence. Often these people are the first generation of their family to have a college education. Often they have entered government service right out of college. The thought of changing jobs produces a lot of anxiety. But current trends will shortly stretch these reasons to the breaking point.

No pay raise in 1985 will add over \$2,200 to the \$11,400 pay differential. Talk of a 3% pay raise in FY '86 coupled with a 2% increase in retirement deductions will do about the same the following year. The exclusion of the state income tax deduction will be another serious blow for Federal workers in New York State. Lower salary, lower benefits, postponement of retirement, unsure retirement benefits, more red-tape, more bureaucracy; all these will lead to more professionals leaving federal service - experienced professionals who take their experience with them. They will leave behind a even more demoralized work force. They will also leave behind a less prepared Army in the hands of mercenary contractors.

What can be done to treat these professionals justly and return to a government which is supporting itself rather than destroying itself? Return special wage rates for scientists and engineers. Such rates use to exist. Federal professionals are not demanding equity with private sector industry, but certainly 30% below the median is too much of a difference. Adjust the difference to 15% and state it as such. Let employees put their retirement funds into an IRA or other program which would serve them better and be more transportable. Work WITH the people involved. Give the professionals the recognition they are earning; don't keep telling them that they are worthless. These people have been supporting the nation - the nation needs them to continue to do so.

Respectfully submitted



G. Albert Pflegl
President, Local 2027
National Federation of
Federal Employees

Ms. OAKAR. Thank you very much for your excellent testimony. If it is any consolation, my engineers feel exactly the same way, and scientists in Cleveland, who work so hard, as well.

Our next witness, is Mr. Joseph Ventresca, who is the president of Local R2-98, of the National Association of Government Employees.

Thank you very much for being here, sir, and please, proceed.

OK, he is not here, so we will get to your panel, in a second. But, just stay here, there is no problem.

Let me ask you, we heard you, Mr. Pflegl, and others suggest this.

Can you tell us—and each of you is concerned with an aspect of unfairness that I think you perceive—how is morale among Federal workers.

What is the morale situation with Government workers these days?

I have always said you cannot do too much more to workers than offer them a minus 5-percent pay adjustment, try to cut their health benefits and cut their retirement almost in half, and then, take the cost of living adjustment away from them. I do not know what more you can do to hurt them financially.

How is this perceived by Government workers?

Do you want to start, either one of the first?

Mr. DONOVAN. Well, we asked for some—all within a short time-frame before the hearing—but, we asked for some personal statements from some of our employees, and we got 30, 40, personal letters written just before the hearing. And, I could not help but write down some of the quotes that they made, to pass on to you. Some of them were quite comical, and others, were very serious in content.

One supervisor with 34 years service said thank God he, meaning the President, cannot change the rules of the game by himself, or the Government would be run by volunteer help. Another employee. This constant assault on our pay and benefits, does nothing but hurt morale, and drive conscientious employees from the Government.

Had several examples of inequities where employees cited the difference between our benefit packages for health benefits, for example, comparing it with General Electric and the State of New York, which is the largest area employer outside of the private sector.

The basic content of all of these letters was that these people were fed up with the boss telling them they are not doing their job. And, when they refer to the boss, they are talking about the President, either directly, or through his, through the administration.

So, basically, they were very demoralized. Many of the older people are saying, if the retirement benefits are changed to 65 retirement, that a 45-year-old manager will now consider leaving Federal service and going to the private sector, where he can make much more money than he makes in the Federal Government.

Ms. OAKAR. Just on that note, Mr. Pflegl, to your knowledge, is the Arsenal having a difficult time recruiting experienced scientists and engineers?

We have been told that because of the low salary, Federal recruiters are no longer interviewing students at the top universities, for example, for engineering. Is a real problem in recruitment.

Do you have any of the same experiences that you can tell us about?

Mr. PFLEGL. We cannot hire experienced people. They will not come to our place. We can only hire directly out of college. And, of course, when we make our salary offers, we are getting the people who have not received higher offers from industry. We are taking the average and below average engineer. And, we are having to put in a considerable amount of time training these people, and working with them. Many of them will be good engineers in the future, but it is going to require a considerable effort by the people who are there now, the engineers and scientists, to further train and develop these people to the workers that are needed.

That means, in some cases, these people will get training and then leave. It certainly means that the engineers and scientists there now, have to spend a significant portion of their time doing other duties than the work assigned to them.

Ms. OAKAR. Your work is very tied up with the national defense; am I correct about that?

Ms. PFLEGL. That is right.

Ms. OAKAR. The work you do—this is the oldest arsenal, I think, in the country; is it not, Congressman?

Mr. STRATTON. Yes. In fact, it is the only Government owned, Government operated arsenal.

Ms. OAKAR. It is the only one in the country?

Mr. STRATTON. At the present time, yes.

Mr. PFLEGL. Our people are unique. They are talented. We have facilities there that are unique in the free world. Countries in Europe, Germany, Great Britain, France, are sending us equipment to test because of the facilities and expertise that we have.

However, that expertise is not being replaced. We do not have the people. People are leaving, and we have nobody to bring up to fill their positions.

Ms. OAKAR. Mr. Donovan, you are saying that private industries like General Electric and others—am I correct about General Electric—can take experienced Federal employees and offer them better benefits, and so, we are acting as a training ground instead of retaining career employees; is that correct?

Mr. DONOVAN. Yes. We just recently lost an engineer in our manufacturing group, who was offered \$8,000 more a year, to leave us and go with the General Electric Co. A bright young engineer that we can hardly afford to lose.

Ms. OAKAR. This is the same person that is worried about whether his retirement is going to be cut in half, plus all the other things that they have been trying to propose.

Ms. Johnson, I was very touched by your testimony. As you can imagine, and you touched on the subject of pay equity. You are right, the State of New York, is one of those progressive States that is undertaking their study.

What we are saying is, this is a family issue because I have a piece of legislation that would study how we treat our Government workers. And, one of the things we mandate is that we cannot

lower anybody's salary, because we happen to believe very strongly, that federal workers are underpaid to begin with. But, it would be the first time since 1923 that we looked at the way we classify Federal workers, when there was only 5 percent of the Federal workforce, who happened to be female.

So, this in no way is any kind of a confrontational issue with men or women. So, I was very happy that you called for that, and we are going mark-up that bill in the very near future.

You might also want to know that the GAO did a report based on Mr. Pendleton's so-called civil rights report, and, as usual, they found many glaring errors.

One of the people who was most misrepresented in the testimony they said they received, was your own pay equity expert, from the State of New York, who has sent the committee a letter, indicating that she was misrepresented totally, in their study.

There were other proposals that I believe would be extremely discriminatory toward not only all workers, but women, in particular. Like the proposal that said that you had to base your annuity on the high 5 years, rather than the high 3 years. This would be a problem for a lot of people. But, women who are in the rock bottom rungs to begin with, who go in and out of the labor force, how would that impact on women in particular?

If you had a base year pension, it was based on your high 5 years with the Federal Government, rather, than the current law, which is the high 3 years.

Ms. JOHNSON. Well, it would impact greatly, because for one thing, most women start off at a lower rate to begin with. And you would have to extend that to 5 years, it would decrease your payments of your retirement pension, greatly. It would have a terrible impact on women. And, even the women that are coming in now, and it has been some in roads into women coming into higher levels.

But, even so, they would not have enough time to increase their high in order to make them have—for the retirement benefits to be really of any benefit in the end.

Ms. OAKAR. Mr. Pfligl mentioned that most of the engineers are capped at 12, and then managers after you reach a certain salary, you cannot go any further no matter what you do, and what your responsibilities are. And, in certain female dominated occupations, you are capped at a level as well.

We had testimony from some women who said that they were—they did not want to leave their executive secretary position, that they had more responsibility doing that, than going after some other job. But, they had to leave that job because it is capped after a certain period.

Now, that is really so unfair.

Ms. JOHNSON. No; actually, with most women in the Federal Government, there is only about 1 percent of the women, when you are speaking of grade 12, in the executive part of the Government. It is only about 1 percent. Maybe, it is about 2, now. The average rate for a woman in the Federal Government is anywhere from one to nine, and that is currently as of today.

So, I mean, we have not gotten to worry about the capping of the grade 12. You know, that is just really—and, of course, the study

has been done to show that in order to get comfortable benefits and retirement, you should be up to grade 9.

Ms. OAKAR. I was just chatting with the staff director. Secretaries, for example, generally do not go past a grade 5.

Ms. JOHNSON. Yeah. No; I was speaking of women in general, as a whole in the Federal Government. No, the average grade for a secretary is grade 5.

Ms. OAKAR. Right.

Ms. JOHNSON. And that is capped as a grade 5.

Ms. OAKAR. Right.

Ms. JOHNSON. No, I was speaking as an overall grade level in the Federal Government. And, it is part of a system.

Ms. OAKAR. Our GAO report that we had done on where Federal workers are, did confirm that it is the bottom eight rungs where you have the domination of women.

Ms. JOHNSON. Yeah.

Ms. OAKAR. Well, thank you all. Mr. Stratton, Congressman?

Mr. STRATTON. I have no questions at this point, Madam Chair.

Ms. OAKAR. Well, let me thank you all. As you know, there is nothing like hearing right from the people themselves who are affected by our policies. And, I think you gave the committee among the most eloquent testimony to what we are talking about in trying to protect your rights as workers.

So, thank you all very, very much. It is a pleasure to have you.

Our next panel, is Mr. Al Washburn, who is the president of the National Association of Retired Federal Workers. Mr. Robert Massaroni, who is with the National Association of Letter Carriers, AFL-CIO. And, Mr. Frank McCabe, who is the union representative of the American Postal Worker's Union, AFL-CIO.

So, we will begin with Mr. Massaroni, from the letter carriers. Happy to have you. Gentlemen, please come up here. And, then, we will hear from Mr. McCabe. And then, we will have Mr. Washburn tell us the affect on Government retirees. Mr. Massaroni, would you like to begin?

Thank you very much for being here.

**STATEMENT OF ROBERT J. MASSARONI, BUSINESS AGENT,
NATIONAL ASSOCIATION OF LETTER CARRIERS**

Mr. MASSARONI. Madam Chair, my name is Robert J. Massaroni. I am the National Association of Letter Carriers' business agent, for upstate New York, and your home State of Ohio.

Ms. OAKAR. Great.

Mr. MASSARONI. I have lived my entire life in this area, and been a national business agent for the last 6 years.

The National Association of Letter Carriers has over 265,000 members nationwide, and I represent the State of Ohio and upstate New York, of over 24,000 letter carriers.

I want to thank Congressman Stratton, for requesting this hearing. Letter carriers and Federal employees do not have access to the media like administration officials.

Here in upstate New York, we have been waiting to present a real life side of the story. In my 28 years as a letter carrier, I have never seen baiting and scapegoating of this nature.

Congresswoman Oakar, you have always listened to us, and have been fair on our issues. I have seen you in Ohio, many times. Welcome to New York. I am glad you are starting hearings here in Albany.

I do not need to detail to you today, the fact that letter carrier employee and retiree benefits have been singled out consistently during periods of budget crisis and cutbacks in spending.

Although we are not the cause of the budget deficit that exists today, letter carriers have helped to reduce that deficit, while those causing the deficit are unwilling to make a serious effort. The issue is fairness.

As you look at the laundry list of proposed cuts in benefits and programs affecting letter carriers, it is easy to recite the money savings to the budget. But, the real issue in the 1986 budget proposal, is people—individual letter carriers and family members directly affected by each of these proposed cuts.

The impact is most dramatic when one looks at the out-of-pocket dollar loss, or lifetime annuity loss. Then, the rhetoric of the Grace Commission and others who attack our benefits as excessive and overgenerous, looks ridiculous.

Consider for example, the cuts targeted at those already retired. A letter carrier with 30 years of service retiring in July 1985, will receive an annual annuity of \$12,826.

If the retiree provides a survivor annuity and health benefit premium, total annuity is reduced to \$11,813. As you are aware, a Federal employee's annuity is subject to income taxes, thus, further reducing this amount. Eliminate the cost-of-living adjustment in 1986, and the retiree would lose approximately \$520 more. That loss would never be recovered, and is compounded in later years.

Capping the COLA on annuities over \$10,000 at 55 percent of the revised cost-of-living allowance, as some have suggested, causes an additional loss of \$200.

If that is not enough, the administration's proposal to change the health benefit formula, would further reduce the monthly annuity by increasing the retiree paid portion of the health premium.

Additionally, the administration's voucher plan would force retirees, as well as active employees, to look for a low cost, low option health plan, bear the additional cost out of pocket, or worse yet, forego necessary medical treatment.

These proposals changing the Federal Employee Health Benefit Plan System, directly threaten letter carriers and retirees, and their family members covered by the plans.

There also are numerous recommendations that would directly impact letter carriers currently working. The administration proposed to change the retirement plan, under which we were hired. That should be illegal. In fact, in the private sector, it is a violation of the law.

As President Reagan recently said, the Government made a contract with the people who served in our armed services, and the Government cannot break that contract. Increasing the retirement age to 65, means a letter carrier would have to work 10 years longer, perhaps as long as 46 years. The maximum retirement benefit of 80 percent, is reached at 41 years and 11 months.

How many of us are able to carry a 30-pound sack of letters all day at age 65, without breaking our backs?

Of course, a letter carrier could retire at age 55, with 30 years service, but the penalties proposed by this administration are devastating.

For the letter carrier retiring in July 1985, that I cited earlier, the basic annuity would be reduced to \$1,000 below the poverty level for an elderly family of two.

Further, remember this is our entire income, not a supplement to other retirement incomes.

Other proposed changes would further reduce this basic annuity. For example, calculating the annuity on high five instead of high three, and eliminating retirement credit for unused sick leave.

In addition to all these proposed retirement cuts, the Senate has proposed to increase the contributions to the retirement fund that the letter carrier employee must pay, from 7 percent, to 9 percent. This would cost the letter carrier an additional \$400 to \$500 a year.

The status of the civil service retirement fund has been released by OPM, for the end of fiscal year 1982, which was September 30, 1982.

The contributions from employees and agencies, plus interest, totaled \$31.8 billion. The annuities and death claims paid out totaled \$19.6 billion, resulting in a fund increase of \$12.2 billion. The total fund net assets at the end of 1982, were \$96.6 billion.

The civil service retirement fund is in good financial shape, with an increase in funds of \$12.2 billion for 1982. Therefore, we ask that Congress not tamper with our present civil service retirement fund, and keep our benefits in tact, as they currently are, and not propose to increase the contributions from 7 to 9 percent.

Madam Chair, the examples go on. The point is the same. The budget cuts proposed in the fiscal year 1986 Federal budget, are cuts against real people who serve and have served as dedicated employees of their Government.

I hope this Congress will not allow unconscionable proposals to be enacted this year or any other year.

I would like to make a couple of other points, if I may. I just recently heard President Reagan say on many occasions, two items that I think affects the letter carriers and Federal employees in this country. He says he is against raising taxes and he also says that he is not going to kowtow to special interest groups. He made the "special interest groups" sound like a dirty word.

I resent both of those statements by him. First of all, he is talking about not raising income taxes, but on the other hand, he is proposing a simplified tax plan that would tax the benefits, the hospitalization premiums that the postal employees and the Government workers receive from the U.S. Government. He wants to tax the life insurance benefits. He wants to tax the retirement contributions. And, he wants to tax the health benefit contributions given by the Postal Service, and the Government.

For a level 5, step 12 letter carrier, this would mean an additional \$900 in increased taxes.

The other statement he made that I would like to take issue with, he makes it sound like "special interest groups" are a dirty word. Again, I resent that because we in the National Association

of Letter Carriers, do represent a special interest group. We represent men, we represent women, we represent blacks, whites, old people, young people, regardless of religion or ethnic background, we represent all working men and women.

And, we question President Reagan, as to who he represents. He possibly represents the big corporations and the Fortune 500.

But, I do not apologize for representing a special interest group. We are proud of that fact.

Again, I want to thank you, Congresswoman Mary Rose, for coming to Albany, and hearing us, and hearing our testimony. And, thank Congressman Stratton, very much.

Ms. OAKAR. Thank you for your testimony. I think that one of the things that we have as a free society is a great Postal Service, thanks to the letter carriers and the postal workers, among others. We complain, but the truth of it is we are the greatest Nation in the world. So, if you represent a special interest, I am sure you are as proud of that as we are of the postal system.

Mr. Levitt.

**STATEMENT OF JEFFREY A. LEVITT, LEGISLATIVE DIRECTOR,
AMERICAN POSTAL WORKERS UNION, AFL-CIO, ALBANY LOCAL**

Mr. LEVITT. Thank you, Madam Chair and members of the committee. Thank you, Mr. Stratton, for this hearing, and thank you all for coming to Albany, NY. We appreciate it.

President McCabe could not be here today, so he has asked me to step in. My name is Jeff Levitt. I am the legislative director of the Albany, NY, local of the APWU.

Madam Chair, you spoke recently at one of our conferences in Washington, DC. You were the star speaker. You did a great job. We really appreciate all your work on our behalf. And, thank you very deeply from all the people that I work with. You are a star amongst all of us, and we really look forward to hearing what you are going to say next.

Our members are very concerned with the proposals that the Reagan administration has made on our retirement program. That is basically the issue I will address today.

The work force is very demoralized. We would like to say that morale has never been lower, but it is hard to say that all the time. It is getting harder and harder to keep people at work.

Working inside a modern postal facility is a lot different than people really understand. It is a factory. You work the night shift, you work on machinery, you work under ridiculous noise, a lot of heat, and a lot of cold. It is not a very pleasant atmosphere to work in.

One of the reasons people take the job, besides the fact that the collective bargaining agreements in the last few years have raised our pay, is for the tremendous benefits package that they have heard about—that Federal employees are supposed to have.

Unfortunately, this has been eroded since 1981. First, our health benefits program was cut. Our benefits package was actually lowered and our premiums were actually raised.

Many employees cannot believe that when they are presented with a hospital bill, that they have to come up with 20 percent of

the bill. That they have tremendous deductibles, and that their premiums have gone up, and up, and up. They have not been able to get any recourse. They have not been able to understand why this is happening to them. They work so hard, and yet constantly they are told, "You are overpaid and underworked."

It is getting to the point that people are questioning why they are in the Postal Service. We still have a tremendously dedicated work force. The mail volume keeps going up and the amount of people working there keeps going down. We are really overworked, not underworked. And, we are really, we feel, fairly paid for what we do.

But, when these benefits that we have are attacked, it gets to the point where you wonder why you are doing what you are doing, and you wonder why, as an employee of a corporation, the Postal Service, you are even involved. Why do it?

You can go into a private sector corporation and are guaranteed a decent pension. You are guaranteed decent benefits. Your pay might be less, but if you are hurt on the job, or you are ill physically, you do not have to worry about a hospital bill—you are all right. You are going to come out ahead working for a private company.

It is getting to the point where we see a lot of people leaving—dedicated employees are leaving. A lot of the older employees feel that they do not have any choice now. They have to stay. They are committed to the system. But, we are losing a lot of our younger people, people that were going to take over the Postal Service, and keep this a good organization.

By way of example, I would like to follow just one proposal and follow its impact on our retirees and on our members.

The Reagan budget, once again, includes a proposal to penalize postal and Federal employees who retire before reaching age 65. The penalty would be a 5-percent benefit cut for each year that retirement occurs before age 65. Thus, an age 55 retiree would lose half of his or her expected benefits due to the penalty. The penalty would be phased in over a 10-year period.

Now, a typical APWU member with 30 years of service can expect an annual retirement benefit of \$13,000, once eligibility to retire is reached, 55 years of age with 30 years service.

If the Reagan proposal were enacted this year, it would be fully phased in by 1995. The following figures, and we will just follow one member, show what he would lose. The size of the loss would depend on the member's current age.

For example, we will take a member. Say he is 18 now. Many of our employees starting on our LSM machines are about 18 or 19 years old. They are quick. They are smart. They are fast. They can do the work. They come in now, they will have to work 37 years to reach 55 years of age. If they retire at 55, they will lose \$6,500 a year under this proposal, which would amount, if they live to the age of 76, to a \$232,000 loss in retirement benefit pay. That is a considerable amount of money.

Mr. Reagan will have four pensions that he will collect on. We are only going to collect on one, and we want to be able to collect and survive for all the work that we do.

We entered the service. We expect the benefits that we were promised to be kept the same. We feel that this was a contract. I have heard many union officers and business agents say that it is unfortunate we were not able to get these benefits into our contract. This was not part of our collective bargaining agreements, as it is in many private sector contracts.

But, unfortunately, it seems that Congress does not seem to have the backbone to stand up to this man. There are a few Members of Congress. Such as Mr. Stratton, yourself, and the members on your committee, that seem to be watching out for us. And, we thank you very, very much, and very deeply, for what you have done for us.

And, I want to again thank you for showing up in Albany. I know it is tough to get up here, but we do appreciate it.

Ms. OAKAR. Thank you.

Mr. LEVITT. And I just wanted to, if I have any time left over, if you had any questions, to answer them.

Ms. OAKAR. Thank you. I will ask a few questions as soon as I hear from Mr. Washburn, who is president of the National Association of Retired Federal Employees.

Thank you very much for being here, sir. I saw you nodding your head. There has been a lot said today, and we are happy to have you here as well.

STATEMENT OF ALBERT R. WASHBURN, PRESIDENT, ALBANY, NY, CHAPTER 141, NATIONAL ASSOCIATION OF RETIRED FEDERAL EMPLOYEES

Mr. WASHBURN. Thank you very much for inviting me. My name is Albert Washburn, I am president of the Albany, NY, chapter 141, of the National Association of Retired Federal Employees. I am also regional director, regional executive, of the New York State Federation of the National Association of Retired Federal Employees, having been elected to that position in this past May.

I am in complete agreement of many of the things that were said previously. And, going back to Mr. Massaroni, I guess I am also the representative of a special interest group, retired Federal employees.

Hell's Angels and herpes, have two things in common. They both begin with the letter H, and they both received knockout blows at the same time, by Federal employees doing their work.

The FBI had infiltrated the motorcycle gang, obtaining evidence on the gang's involvement in extortion, assault, contract murders, and illegal drug trafficking.

At the same time, research technicians at the National Institute of Health, had developed what may be a vaccine against herpes.

Only a few short miles from this courtroom, is located the Watervliet Arsenal, where other Federal employees make the world's best artillery guns which are used throughout the free world for defense of democracy.

Rivers and lakes are cleaner. Our great symbol of America, the bald eagle, is being saved from extinction. And yet, the letter which invited me to appear before this subcommittee, was delivered efficiently and promptly by a Federal employee.

My brother William can testify to the very high regard which he has for the Veterans' Administration Hospital. These are but a few of hundreds of examples which could be given on the highly efficient work of Federal employees.

In spite of the very impressive record of Federal employees, the 2.4 million of the Nation's best educated and trained civilian workers are being demoralized by the attacks of the media, special commissions, politicians, and even our chief executives.

Politicians have learned that it is easier to put the blame on Government employees for failure of some poorly conceived programs, with unrealistic objectives, than to acknowledge legislative and executive deficiencies. This barrage of criticism is destroying a carefully developed civil service which began in 1883.

The attacks are encouraging the most talented and capable employees to leave the civil service, and, at the same time, discouraging the young educated and talented, from seeking careers with the Federal Government.

Unless an effort is made to reduce this drain, and improve the morale of civil servants, the Nation may shortly face a serious problem of governments affecting the quality of public services.

We hear and read that the Civil Service Retirement System, is an undue burden to taxpayers. We hear and read that this retirement system is overly generous to retirees. It has been called the Cadillac of pension plans.

J. Peter Grace, concludes that Government retirement plans incur costs three to six times as great as the best private plans. None of these charges is true.

Ms. OAKAR. If I could just say that it is our understanding that Mr. Grace has a better pension plan—

Mr. WASHBURN. \$357,500 a year, plus.

Today's Civil Service Retirement System is not a cost to taxpayers. It is a bottom line gain to taxpayers. Today's budget process treats employee contributions to civil service retirement, as tax receipts, and treats payments to retirees as budget expense.

Employee contributions if properly matched by employing agency departments, and accredited with the same interest the Government pays to the money market, will earn more than three times the payment to retirees. The Civil Service Retirement System trust fund, as an account with the Federal budget, had a positive balance of about \$110 billion at the end of 1983. Mr. Massaroni, said \$96, but he was quoting 1982. A balance which could increase to over \$280 billion over the next 10 years, if current law prevails.

I believe Congress should remove the Civil Service Retirement System from the general fund budget, and let it operate as a separate entity with proper credits for contributions, matching funds, and interest earned.

In order to attract and retain qualified workers in the Federal Government, these areas must be addressed. A, retirement, life insurance, and health benefits. Curbing inflation would stop cost-of-living adjustment, COLA's, altogether. The problem is inflation, not cost-of-living adjustments.

Caps on COLA's, would have the same effect as caps on salaries. Pay caps would defeat the principle that a person's retirement

income should provide a certain percent of replacement of salary while employed.

In the March 1983 study by the nonpartisan congressional budget office, it was found that Federal white collar pay is 19.5 percent behind private sector pay. The March 1983 study by CBO, found that fringe benefits for Federal white collar employees, are now behind those of white collar employees in the private sector, because of recent benefit reductions, primarily in the area of health care, where premiums have increased and coverage decreased; and, because of recent cost-of-living adjustment reductions.

The total benefit package, has been cut to a point where it now trails the private sector. This is a particular heavy burden on retirees, because at retirement, the Government reduced the amount which the Government pays, from 75 percent for active workers, to 60 percent for retirees and health care. As retirees, we ask the Government to maintain our security in both the areas of health benefits, and in the cost-of-living adjustment for our annuity.

So far this year, at least three serious cost-of-living adjustment proposals have been considered. A freeze, a full COLA, and a CPI minus two, would guarantee 2 percent, minimum. The COLA debate has dragged on since before the last election. Even when the issue has been resolved for this year, legislators and retirees alike know that the COLA feature, one intended to provide retirees living on limited incomes, with a sense of security, will continue to be a target for change. And, I want to thank Congresswoman Oakar, and Congressman Stratton very much for having us here today.

Ms. OAKAR. Thank you very much.

Congressman Stratton, do you have any questions?

Mr. STRATTON. I would just like to ask one question of the representatives for the postal workers.

Ms. OAKAR. Mr. Levitt is taking Mr. McCabe's place. Mr. Levitt.

Mr. STRATTON. The postal workers as well as the letter carriers, both operate on collective bargaining, as I believe you indicated. Therefore, your salaries and your pay, are set by collective bargaining; is that not the case?

Mr. LEVITT. Yes, it is.

Mr. STRATTON. Then what is it that is outside of collective bargaining?

Mr. LEVITT. Our health insurance coverage under the Federal Employees Health Benefits Act, and the Civil Service Retirement System, we are members of that. But that is completely outside of collective bargaining.

It is not part of our agreement under the Postal Reorganization Act, we were not given that right to bargain over those issues.

Mr. STRATTON. So, the question of a salary reduction as proposed by the administration would not affect the postal employees?

Mr. LEVITT. That is correct. Right.

Mr. STRATTON. Thank you.

Mr. LEVITT. You are welcome.

Mr. MASSARONI. May I respond to that, the health benefits, if I may?

Mr. STRATTON. Yes, sure.

Mr. MASSARONI. It is true what my colleague said. However, we must appear before OPM once a year, to devise or come up with a health benefit plan for the subsequent year.

And the last time, we went in before Dr. Devine, he emasculated our plan. He reduced our benefits, and he raised our premiums. And, it was not negotiations, He said, "take it or leave it. This is what we are going to do."

And, I can remember when I came in as a letter carrier, when we had a \$50 deductible. For outpatient treatment, prescription and drugs, we paid the first \$50, and then, our plan would pay the 80 percent of the balance.

Under the present plan, we pay the first \$150, then our plan pays 75 percent. We lost emergency treatment. We used to get emergency treatment up to \$200. Accidental treatment up to \$200. And, many other benefits that we lost since this administration has come into power.

Mr. STRATTON. Well, I remember getting something in the mail the other day, urging me to join the National Letter Carrier's Health Plan. I am not a letter carrier myself, as you know, but apparently the plan is competing with Blue Cross/Blue Shield, Aetna, and the others.

Do you mean to say that when you have a plan of this kind established by the legislation that Madam Chair mentioned earlier, the head of the OPM can simply decimate it?

Mr. MASSARONI. That is what they did. They did that a couple of years ago. They brought us in and gave us an ultimatum. "You cut your benefits by 12 percent and raise your premiums," and I think the figure is like 14 or 15 percent. And we said no, we are not going to do it. They say we are going to decertify you. And, I think the APW was decertified and had to go to court to get their plan back on the books.

But, again, to continue on, we pay the first \$12.50, when we go into the hospital under our NALC plan. We think we have a good plan, an excellent plan. However, all the plans went a few steps backward. We do not get the benefits that we did 4 or 5 years ago. In fact, we were accustomed to having our benefits increase year after year. In the last 4 or 5 years, they went backward.

Mr. WASHBURN. May I add something to that?

Mr. STRATTON. Yes.

Mr. WASHBURN. With retirees, the problem is that the premiums have gone up so high, Blue Cross/Blue Shield, is \$130 a month or something. That has been driving it into less acceptable, well, low premium types of health care.

Many of our people have gone into the Community Health Plan. It is actually a health maintenance organization. You know, you are going to get what you pay for. And, you go to CHP, and they have a wonderful facility over there. But, when you take a look at the doctor, a doctor walked in, he was younger than my son. What you are getting, is young physicians, unexperienced, I do not want to say not properly trained, but later on they are going to leave there and then they are going to go out to private practice.

So, you are not going to be able to keep your same physician. You are always going to be dealing with a young doctor. And, the reason is, lower premiums.

Mr. STRATTON. I see. Thank you.

Ms. OAKAR. Thank you. Let me ask Mr. Washburn. I, for one, agree with you about taking the retirement programs out of general revenues. I think that is why Congress makes so much political hay day about your cost-of-living adjustment. I introduced legislation to take Social Security out of the budget, and, as you know, the House held firm in saying that whatever you do for Social Security, we want you to do the same cost-of-living adjustment for the military and for Government workers.

We think there are different programs. In some ways, it is a better program. In other ways, it is not as good as Social Security. I think a lot of people do not understand the differences, and that is why we get all this confusion.

Do you think if we took Social Security out of the budget, this would put pressure on us to do the same for your Government workers?

Mr. WASHBURN. I think it would be a precedent. I think we would have a foot in the door if that was the case.

Ms. OAKAR. How would your group, the people you represent, be affected if we took your cost-of-living adjustment away from you?

Mr. WASHBURN. We would be hurt. You would not feel it immediately, on that very first check, but as gas prices went up, you know, they are going, and other things went up, and some of our people do not own their own homes, they rent. The cost of apartments has gone up, they would feel it. They would be hurt.

Some of my employees, and he mentioned, one of the gentlemen here mentioned that a letter carrier retiring now would get something like \$12,000 a year. I have people in my chapter, here in Albany, who make less than \$12,000 a year now.

I can think of one woman who lives up on Clinton Avenue, in Albany, I would give her name, but I do not know if she would want it introduced into a congressional record, but who makes much less than that. She is a woman who never married, and she has it tough making it.

Ms. OAKAR. Forty percent we are told. A couple of years ago, we did a study and it showed that about 40 percent of the Government pensions were spouses, who received less than \$6,000 a year. So, all this hysteria about how well these pensions are, how great these pensions are, I think it must be pretty hard for a retiree to live on \$13,000 a year. That is not a lot of money to live on when you have extra expenses and other kinds of needs. Particularly in health areas that are more catastrophic when you get older.

Mr. WASHBURN. I have never made a survey in our chapter, you know, for exact figures. My information comes merely from talking to people on a one-on-one basis.

You know, they will come to me and say, gee, are we going to get something, I only make, and then, they will disclose their figure to me. It is not an official survey and I would like to get that entered.

Ms. OAKAR. Mr. Massaroni, in your experience as a business agent, I know you represent our area, as well as the State of New York. We have a lot of things in common, our States, really. And, I was pleased that you mentioned the so-called tax package, because it can have a devastating impact on workers, middle-class people, especially. But, I introduced H.R. 156, which would increase the

Government contribution about 15 percent. They would still have to pay 25 percent.

In your experience working for health benefits, would you say that Federal employee benefits in the health are better, or not as good as the private sector?

Mr. MASSARONI. That is a good question. I used to think they were better, and they may have been better 5 or 6 years ago. In the last 5 or 6 years they have decreased. When checking with private industry and so forth, I understand that two-thirds of private industry pays the entire contribution.

Ms. OAKAR. Right.

Mr. MASSARONI. For their employees. And, we contribute in our plan, we pay \$19.89 every 2 weeks. So, that is over \$40 a month that we pay just for our health benefit plan.

So, in my estimation, I am finding that our Government endorsed plans are less beneficial than outside plans.

Ms. OAKAR. We have some studies that show that as well. But, your experience shows that as well.

Mr. Levitt, you mentioned health benefits as well. And, obviously, your group, your organization, like most people, feel health benefits are not a luxury. It is something that you need to survive.

Are you aware that the Postal Service and your union is exploring, they are exploring the creation of a separate health benefits program for postal employees. And, if you are aware of that, what do you think, what is your reaction to that?

Mr. LEVITT. I think most of the employees that I have discussed that with are sort of adamantly against the idea of a company plan, unless it was part of our collective bargaining agreement, where we could lock the Postal Service into a promise to actually come up with the money for a decent plan.

The problem has been negotiating with them on many issues. They seem to do a lot of talking and a lot of backtracking at the same time.

By way of what Mr. Massaroni said, my own personal experience locally has been similar to his as far as your previous question is concerned. We find many employees are not selecting a health plan under the Federal Employees Health Benefits Act. They are using their spouses' plans. Many people may have a husband or a wife that works for the State of New York, or even the city of Albany. They are opting to go with those plans, rather than select a health benefits package from the Federal Government.

Ms. OAKAR. Does the State of New York pay for the entire plan?

Mr. LEVITT. I am not positive about that. I just know that the plan offers much better coverage.

Mr. MASSARONI. In fact, they have a prescription plan. You pay \$1, and you receive any prescriptions you want. And the prescription can be worth \$30, \$40.

Ms. OAKAR. So, they are into prevention. That is a preventive thing that you covered.

I want to thank the panel. Sam, you surely have presented the best witnesses we have ever had before our committee. Everybody here in your home area. So, we are very happy to have you three gentlemen with us today. Thank you very much.

Our next witnesses, will be the Honorable John Tully, who is a member of the Troy City Council, and the local NARFE officer. Mr. Walter Campbell, president of local 200, of the Service Employees International Union, AFL-CIO. Mr. James Fiorillo, president of the Veterans' Administration Medical Center, the Retired Employees Association. Mr. Dan O'Connell, who is a representative in charge of the Small Business Administration. And, Mr. George Hameline, who is the assistant district manager, of the Albany Social Security office, of the Social Security Administration.

So, if you gentlemen want to come up to testify.

Mr. Tully, are you here, Councilman Tully?

Councilman, thank you very much for being here. It is a pleasure to have you here. Please, proceed.

**STATEMENT OF HON. JOHN TULLY, MEMBER, TROY CITY
COUNCIL FROM THE STATE OF NEW YORK**

Mr. TULLY. My name is John Tully, and I am a member and legislative chairperson for the tricity chapter of the National Association of Retired Federal Employees.

The main concern of my fellow members of NARFE, is that our former employer, the U.S. Government, will reduce, abolish, or otherwise cut out annuities by reducing, abolishing, or otherwise maneuvering to readjust the cost-of-living increases that we are now entitled to under the law.

I need not remind you of the changes that have been made in our COLA's over the years. Now, this administration and every second Senator, seems to be devising a formula to reduce the reduced present COLA. Of course, every reduction lowers the standard of living for retirees.

The Reagan administration is saying that the taxpayers are helping Federal workers ride off to retirement in the, and I quote, "Cadillac of the pension plans." The administration, in arriving at this assumption, is leaving crucial information out of its analysis data, suggesting Federal employee benefits amount to quite a bit less than a Cadillac, and may be more of a midsize Chevy.

A study by the Hay group consulting firm, compared Federal and private sector works in terms of total cash compensation, its wages, fringe benefits, and pensions. Its findings. Federal workers' pensions are 6.4 percent better than those of private workers. Private workers receive fringe benefits worth 3.6 percent more than Federal workers get. Private sector workers' average wage comes to about \$33,000 a year, compared to \$30,000, for Federal workers. When all factors are taken together, private employees' total cash compensation is 7.2 percent more than Federal workers.

Government workers and retirees maintain these figures, prove their benefits are not lavish as portrayed by this administration. We further contend our annuities constitute just compensation with careers spent in Government jobs that paid lower salaries than those available in the private sector.

This administration is using the Government pensioner as a whipping boy. They are trying to make him look greedy and not needy, but that is just not true. They are beating up on the wrong people. Any person who goes into the Government workforce,

should have the assurance that when over the years he has given his all, he will be able to live in dignity and not just exist.

Our retirement system is one of the few that requires contributions by the workers. Our benefits are fully taxable, and our annuities are not overly generous.

Since this administration took office, our health insurance premiums have risen dramatically. Our benefits have been decreased. Our deductibles increased. And, out of pocket copayments have been added. It is ironic to note that the Blues, the largest health insurer of Federal workers and Federal retirees, are now telling us they have an unexpected surplus in their FEHBP reserves, and, are willing to rebate to their Federal subscribers, sums ranging from \$18 to \$374, per individual.

We respectfully ask your committee to take a long hard look at the Federal Employee Health Benefit Program, before the next open season. Consider the cost containment factors put in place in hospitals now using DRG's, diagnostic related groups, resulting in shorter hospital stays, and, therefore, reduced hospital costs.

With these early discharges, please investigate the need for better home health care insurance, as patients are now sent home early to convalesce, and need more care when they get home.

The personnel office at the Watervliet Arsenal, recently conducted a wage survey of regional civilian employers. The purpose of this survey, is to compare wages paid by the private sector, with similar jobs in the Federal service. This is to maintain comparability between the private and Federal sectors.

This survey pointed out a lag in Federal wages for blue collar employees of 82 cents per hour. These Federal blue collar workers would require an average of 8.10 percent, to keep even with their counterparts in private industry jobs.

However, a Federal pay cap imposed by this administration, will only allow a maximum of 3.5 percent increase. This will result in Federal employees covered by this 11 county survey, receiving a wage increase averaging 32.6 cents per hour.

Once again, comparability falls by the wayside. Thank you for letting me testify.

Ms. OAKAR. Thank you very much, councilman. I am reminded of the fact that when you were a Government worker, you could not have run for office, because of the Hatch Act. We are glad to see you working as an advocate now, both in city council, and as a member of NARFE. Thank you very much.

Mr. TULLY. Thank you.

Ms. OAKAR. Is Mr. Walter Campbell here?

Mr. Campbell, thank you for being here.

**STATEMENT OF WALTER J. CAMPBELL, PRESIDENT, LOCAL 200,
SERVICE EMPLOYEES INTERNATIONAL UNION, AFL-CIO**

Mr. CAMPBELL. Thank you Madam Chair. I would like to thank Congressman Stratton for requesting this hearing. My name is Walter Campbell. I am president of SEIU Local 200, at the Albany VA Hospital. Talking to many employees at the hospital, they are in disagreement with the administration's proposal on reduction of retirement and health benefits. Most VA employees who retire

have stated to me, that they have a hard time getting a part-time job in order to pay their bills, with the high cost of food, clothing, housing, and health insurance.

A lot of these problems cause stress on employees. The morale of Government employees has decreased in the last several years. New York State employees have better benefits than Government employees. They have better benefits in retirement, better benefits in health insurance, and a lot of others. I am hoping that after the subcommittee reviews our request, which I believe will have a very important impact on the living arrangement of our Government employees who are retired, and our beloved senior citizens.

[Statement of Mr. Campbell follows:]

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General Service Employees' Union, S.E.I.U.

LOCAL 200 — AFL-CIO — ALBANY DIVISION

MAIN OFFICE

3060 Erie Blvd., East — P.O. Box 831
Syracuse, New York 13201
Area Code 315 446-4763

ALBANY OFFICE

THE WESTGATE BUILDING
8 Russell Road — P.O. Box 1986
Albany, New York 12201
Area Code 518 489-4749

July 8, 1985

TO:

Committee On Post Office and Civil Service
Subcommittee on Compensation and Employee Benefits
406 Cannon House Office Building
Washington, DC 20515

I have received written notice on the Subcommittee request on July 3, 1985 around 2:00 P.M. at the V.A. mail room. Concerning problems with the current pay system and the Administration proposals to reduce retirement and health benefits. Because of this short notice the Officers of S.E.I.U. Local 200 at the AVAMC is unable to give you a more proper report on this matter.

As the Administration is forcing cut-back on employment in the Government Service, to help with the problems of the current pay system, it is also creating a lot of other problems, in Government Service, Stress on Employees and Employees Family, hurting the Morale of Employees, Patient Care and other problems.

Administration Proposals to reduce Retirement

Many retire employees have a hard time living on the allowance they receive from the Government Service. There has been many unpleasant occurrences on retire employees, unable to pay the high cost of heating home, the high cost of foods, clothing, insurance ect. An unpleasant occurrence was when an retire couple who could not pay their heating bills, frozen to death. A proposal to reduce retirement benefits, is a very selfish act on our senior citizen.

Health Benefits

The Administration has forced Medicare Tax on Government Employees who are unable to use it, until they are 65 years old. Many employees disagree with this procedure. To reduce health benefits on Government employees would put a burden on them and many family members.

Walter J. Campbell SR

Walter J. Campbell SR
President S.E.I.U. Local 200
AVAMC

Ms. OAKAR. Thank you very much. You answered my question about whether State employees have better benefits. So, thank you very, very much.

Mr. Fiorillo, is he here?

All right, Mr. O'Connell, who represents the Small Business Administration. Well, you are not representing the Small Business Administration, but you have the position of being the representative in charge of the Small Business Administration.

STATEMENT OF DANIEL S. O'CONNELL, REPRESENTATIVE IN CHARGE, SMALL BUSINESS ADMINISTRATION

Mr. O'CONNELL. Thank you Madam Chair. Thank you for the opportunity to testify. Thank you Congressman Stratton, for inviting me.

The employees of the U.S. Small Business Administration are very concerned by the proposals of the Reagan administration affecting our compensation and benefits.

While we understand and share the concerns of the administration and the general public over the deficit, and are willing to do our share to reduce it, we do not feel that the Federal employee should be asked to bear the brunt of the effort to balance the budget.

This has been a particularly trying year for SBA employees, in light of the administration's proposal to abolish the agency. Though we are delighted that Congress has recognized the importance of the agency's mission, and has elected to keep the agency alive and independent, overall morale is very low. Not only have we faced the RIF, but over the past 4 years we have seen our workforce shrink by 30 percent, while our program deliveries have increased.

Fiscal 1984, represented our most productive year ever for the Syracuse district. We approved 915 loans for \$98 million, and currently manage a portfolio of \$377 million, both all time highs. Over the past 4 years, we have been asked to do more with less, but now, we are asked to do more with less for less.

Since 1980, inflation has increased 37.8 percent, while Federal compensation has increased only 24 percent. In fiscal 1985, we received a 3.5-percent cost-of-living increase at a time when inflation was 4.2 percent. In addition, this increase was delayed 3 months, which effectively reduced the increase by 25 percent.

At the same time, we were required to contribute 1.3 percent to Medicare. We are now being told that we will not receive any cost-of-living increase for fiscal 1986, certainly preferable to a negative 5-percent increase. Thanks to the low inflation rate, we are only falling behind at a slower rate.

A projected inflation of 6 percent for calendar 1985, coupled with a proposed increase of 2 percent in employee contributions to retirement program, will only put the Federal employee that much further behind the private sector and may make it impossible for Federal employees to remain in the public sector, particularly, the higher skilled more productive employees.

We at the SBA, are already seeing some of our more experienced loan officers leave for the private sector. In the Syracuse district,

we have lost 10 percent of our staff to the private sector in the past 12 months. This is minor compared to our New York City office, and our offices on the west coast, which are finding it almost impossible to keep competent commercial loan officers for any length of time.

While we all understand the difficulty of living on pensions and Social Security, does it make any sense to provide cost-of-living increases to retired people, no longer a productive force in the economy, while requiring productive Federal employees with children to raise, and mortgages to pay, to forego any increase.

It appears that we are truly the ones living on a fixed income. It seems a paradox that you can only get a raise if you stop working. The other factor of great concern to my fellow workers, is our shrinking benefit package.

Our retirement system has come under fire for being too generous. As mentioned previously, the Grace Report stated that Federal retirement programs provide three to six times greater benefits than private retirement programs.

However, a study prepared by the General Accounting Office, shows that private pensions compare well with civil service retirement. It is particularly interesting to note that the pension program of W.R. Grace and Co., replaces over 90 percent of an employee's earnings, in contrast to a Federal employee with 30 years of service, whose pension replaces 56 percent of his or her income.

It is our opinion that the present retirement system is fair and equitable, and should be retained as is. Finally, a word concerning our health benefits.

Since 1982, health benefits premiums have increased dramatically, further eroding our disposable income. In my own instance, health insurance premium has increased 369 percent, since 1980. Now, the administration plans to tax the employee for the percent of the health insurance premium contributed by Government, further reducing our take home pay.

In closing, Federal employees, at least in the SBA, are finding it increasingly difficult to stay motivated and dedicated to their work.

Thank you for this opportunity to express my views on these very important questions.

Ms. OAKAR. Well, it must be even more difficult because your agency is being threatened to be eliminated?

Mr. O'CONNELL. It certainly is. The President in one of his recent speeches, lauded American incentive, and quoted a remark about the two gentlemen that started the world famous computer business in their garage.

What he forgot to say was that they got out of their garage by \$150,000 SBA loan.

Ms. OAKAR. That is right. A very interesting story. Thank you.

Mr. Hameline, thank you very much sir, for being here.

STATEMENT OF GEORGE HAMELINE, ASSISTANT DISTRICT MANAGER, ALBANY SOCIAL SECURITY OFFICE, SOCIAL SECURITY ADMINISTRATION

Mr. HAMELINE. George Hameline, is the name. I am the assistant manager here at the Albany Social Security office. I have done 33

years with Social Security. I am 5 years past the optional retirement. I have done my time in Utica, Schenectady, Gloversville, Albany, and New York City. I feel I have paid my dues.

I am here today, on behalf of the National Council of the Social Security Management Association, the New York Social Security Management Association, as well. And, I want to thank you for the opportunity to express our views here today. I know that travel is not all that easy. Those of us who have to go down to New York City, and get a hotel room, and buy some meals, and tool around on \$75 a day, feel that we are sort of losing a little money in there.

Ms. OAKAR. Well, that is about the cost of the meal or something; is it not?

Mr. HAMELINE. That is right.

Ms. OAKAR. You can sleep in Central Park.

Mr. HAMELINE. It is really no thrill to go down there unless you have got a lot of money. And, you do not have that.

I also want to thank Sam Stratton's offices. His staff has been very wonderful in working with us on a short deadline, and they did a great job.

I want to say that I am here today, not in my capacity as the assistant manager of the Social Security office. I am here rather, representing the society. I am here on annual leave.

Our greatest concern in the Social Security offices, and in the management society, is the maintenance of our ability to effectively serve our constituents. We have got 36 million people retired out there, or they are disabled, or they are dependents, that every month are looking for a check, that is the right amount, and at the right time.

Ms. OAKAR. Excuse me.

Mr. HAMELINE. And about half of them are totally dependent on Social Security benefits for survival. We are concerned that the deterioration of the Federal compensation and benefits will have—will erode our ability to recruit and train good employees to the responsibilities that they have to the public.

We are unable in some parts of our service area here, in the Albany area, especially in New York City, to do adequate recruitment of employees. Here are some typical examples.

In downtown Borough Hall Social Security office, which is one of the largest in the New York region, there have been 10 clerical vacancies for well over 6 months. These clerical vacancies are DS-2's and 3's, they pay about \$10,000 to \$11,000. So, the Borough Hall office did a big dragnet trying to get some qualified employees. They interviewed 100 people who showed up interested in our salary and position. Of those, only 10 passed the rather simple civil service writing and skills ability. And, of the 10 who were offered the job, and told to report for work, only 5 of them showed up, because the other 5 had gotten better grades, and had gone out to different areas, and we lost them.

So, there is a serious shortage of clericals in some parts of the area.

Ms. OAKAR. That is why we want to do a study related to how we classify people. Because you cannot get people to work for that amount of money if they are really skilled in those areas. That is one of the problems; is it not?

Ms. HAMELINE. We are willing to take somebody who is not skilled, and work with them, and we cannot get them through the door so that we can work with them, either because they do not have the skills, or we do not pay them enough money to make it worth their while.

We have gone to high schools. We are investigating the possibility of getting some help through the local welfare offices. People on ADC or home relief. Take them on, and do some training and see if they will help, you know, fit the bill.

But, we find that about 90 percent of the candidates for clerical positions that are—and the benefits that we offer, they just do not pass the civil service test. I do not think it is an indictment of the civil service test. I think it is just that we cannot attract people with the kind of money that we are offering.

And, we also have the similar problem of those who are in our midlevel positions. These are the ladies and gentlemen who answer the phones, answer technical questions, see what happens when your benefit check does not show up. They get around \$16,000 to \$17,000 a year. But, if they live in the New York City area, for one thing, they can go work for the Transit Authority, and they can sell tokens to you, and they will get \$21,000 a year, and some dandy fringe benefits, and we lose a lot of people in that situation, where we are not even competitive.

So, we simply cannot compete at this very basic level. And then, there is the pressures and responsibilities of the jobs that we have in the local Social Security office. We have people that are very distressed, and they are very urgently in need of their money. And, sometimes, we have some pretty bad confrontations. And, many qualified and experienced representatives and data staticians, they go to work for the post office. Not that the post office is paying any exorbitant rate, but they sometimes feel that they have got to get out of the pressure cooker, and get into something that is more handleable for them.

Some of our supervisors who have risen through the ranks to the supervisory positions, sometimes they will take a bust in pay. They cannot handle the pressure. The pay differential between an interviewer and a supervisor, is one grade. And, for the amount of grief that they have to take from above and from below, they do not feel it is worth it. And some of them are just asking to be regraded to the lower grade rather than take the heat. And, we find it is hard to get people to take on that responsibility. And, supervisors also leave us to work for other agencies.

So, we are having difficulty in keeping a good trained staff on board. Here in Albany, since March 31, we have had four people leave our local Social Security office, and our replacement so far, will be a temporary clerical, if we can get one. We had one that came and took a look. But, when she found it was temporary and it was at a grade 3, she thought she could do better somewhere else. We are still looking, but at the present ratio it is one for four.

So, that is our main concern in the local social offices, that somewhere down the line, our staff is not going to be able to handle the public in a creditable manner. Right now, we are very proud that our accuracy rate in paying benefits and not paying benefits is about 99.6 percent. And, when you are talking like \$175 billion a

year going out of Social Security, a change of about six-tenths of 1 percent, means \$1 billion in benefits a year.

So, sometimes you can be pound foolish and pennywise, in trying to work to the bone and at the same time, have this money going out the door. And that, in the face of the pending administration proposal to reduce the staff levels by 17,000 people over the next several years, the need to recruit and retain competent people is now more critical than ever.

So, I guess in conclusion, the Social Security Administration must have the right people there to make the thing go. And, we would like to see pay levels and pay fringes comparable to those in the private sector.

I guess, in conclusion, I wanted to mention that next month marks the 50th anniversary of the Social Security Act. We are going to be celebrating. The Social Security is sound, and it is going to go into the 21st century. And, we would like to have the staff and the service to go with it.

[Statement of Mr. Hameline follows:]

STATEMENT OF

NATIONAL COUNCIL SOCIAL SECURITY MANAGEMENT ASSOCIATIONS, INC.

Madam Chair, on behalf of the National Council Social Security Management Associations, Inc. (NCSSMA) and the New York Social Security Management Association (NYSSMA), I thank you for the opportunity to express our views here today. Present federal compensation and benefit levels will have an enormous effect on the Civil Service of the future and we commend your concern over these important issues.

The National Council was founded 14 years ago to represent the views of Social Security Administration (SSA) field office managers and supervisors. The Association has members in 1,300 field offices and teleservice centers around the nation, and over 80% of all eligible management employees belong to our dues supported organization. We are recognized as being supportive of and complementary to SSA management initiatives.

Our greatest concern in the field office is the maintenance of our ability to effectively serve our constituents, elder Americans who are often totally dependent upon their social security benefits for survival. We are gravely concerned that further deterioration of federal compensation and benefits levels will erode our ability to recruit and retain good employees, to the degree that SSA will be rendered incapable of fulfilling its responsibilities to the American public. We are, at present, unable to recruit qualified personnel and are losing trained and experienced employees, at all levels, in record numbers.

Poignant cases reflect the difficulty that exists and that will become devastating if federal employee benefits and compensation are not kept at competitive levels. In the downtown Brooklyn Social Security office, one of the largest offices in the New York metropolitan area, there have been 10 clerical vacancies for well over six months. These are GS-2 and GS-3 positions earning between \$10,000 and \$11,000. Of the over 100 candidates that were interviewed for the position, only 10 passed the very basic Civil Service clerical written examination. Of these people who were hired and given reporting dates, the best five candidates took jobs elsewhere for substantially more money. SSA was left with a few merely adequate clericals to choose from.

We have recruited from high schools, social welfare agencies, indeed, from every available source for clerical personnel. Ninety percent of the candidates for clerical positions that our compensation and benefit levels attract, fail to pass the Civil Service clerical written examination.

The situation is similarly distressing in the case of mid-level career employees. We have lost many of our skilled service representatives to the private sector and state and local governments. One increasingly recurrent situation is service representatives, earning between \$16, and \$17,000 with SSA, who leave the agency to work for the New York Transit Authority as token clerks and coin changers. In these positions with the Transit Authority, employees earn \$21,000, are provided with total health and dental coverage, and make minimal retirement contributions,

ranging from nothing to 3 percent, less than half, at most, of what is paid into CSRS by federal employees. We simply cannot compete at this very basic level. In addition to the monetary differential, these individuals are relieved of the pressure and responsibility of the service representative position. The Postal Service is also proving attractive to SSA employees. Many qualified and experienced service representatives and data technicians go to the post office for higher pay, more comprehensive benefits, and less demanding work.

Supervisors in field offices have risen through the ranks to that position through their skill and commitment. Not only are we experiencing difficulty in retaining our managers and supervisors, but we are having problems keeping them at the supervisory management level within SSA itself. While the position of supervisor is very demanding and carries with it a tremendous amount of responsibility, the difference in pay over the claims or field representative position that supervisors are recruited from is negligible. Due to the lack of salary differential, the current state of moral in the civil service, and the demands of the supervisory position, many supervisors take a voluntary downgrade back to a claims or field representative position.

There are many cases of supervisors leaving the agency for private and other public sector work. It is especially disturbing to us, as managers, to see very talented career people leaving. In one such instance in the New York area, an excellent supervisor, a GS-11, left SSA to work as a substitute letter carrier, at a

higher rate of pay, better benefits, and the opportunity for promotion and advancement.

These examples are indicative of the widespread predicament that SSA is in as a result of the non-competitiveness of federal compensation and benefit levels in comparison not only to the private sector, but to state and local governments. If the situation continues, we will not only be totally unable to recruit good employees, but SSA will lose all of its experienced personnel.

The consequences of this situation will be devastating to service and ultimately, to the cost of the Social Security system. At present, administrative costs of the social security program are incredibly low, 1.3 percent of benefits paid. SSA is one of the most inexpensive and effectively administered federal programs. SSA is responsible for over \$175 billion in payments per year and we have an exceptionally high payment accuracy rate, approximately 99.6%. However, a decline in the quality and experience of SSA staff will have a detrimental effect on the payment accuracy rate. We are dealing with enormous sums of money, and if the accuracy rate today fell by the smallest percentage, by .6%, the cost of erroneous payments in one year alone would total over one billion dollars. The possibility for and consequences of error will increase if the quality of SSA personnel declines, especially so when coupled with the rising number of social security beneficiaries and the increasing workload that will follow. In the face of pending administration proposals to reduce SSA staff levels by 17,000 over the next several years, the need to recruit and retain quality personnel is more critical

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than ever.

As managers with the responsibility for large sums of money, we understand the need to reduce costs and set priorities. However, keeping federal pay at artificially low and non-competitive levels will prove in the long run to be extremely costly, not only in dollars, but in the quality and level of service provided. Federal compensation must be made competitive with private sector and state and local government employers. The Social Security Administration must be able to recruit and retain quality employees, or the effective functioning of SSA will be in dire jeopardy, and the cost of competitive compensation will be pocket change in comparison to the cost of errors and mediocrity.

Ms. OAKAR. Well, I could not agree with you more. Don't you think it is one of the greatest programs, that we have ever had?

Mr. HAMELINE. Probably the one best piece of social legislation that came out of this century.

Ms. OAKAR. Thank you.

Mr. STRATTON. Could I ask a question of Mr. Hameline?

The situation that you described is certainly disturbing. I just wondered if the same thing applied to Schenectady, for example, at the Social Security office there. Are they finding it difficult to get the people even where the jobs are available?

Mr. HAMELINE. I am not supervisory to Schenectady, but I understand that they are understaffed and trying to get some more people on board there.

Mr. STRATTON. When does the 50th anniversary occur?

Mr. HAMELINE. August 14. It is a Wednesday, next month.

Mr. STRATTON. I remember I was not in at the absolute beginning, but I had a job as a lifeguard in 1937 after I had gotten out of college. I remember that I signed up for Social Security and it has been going ever since. I do not know if we are going to be able to pay up, but I hope that because of the changes Congress enacted in the law of a few years ago, Social Security will certainly carry on. I agree with you, that is one of the outstanding programs of the last 50 years, and look forward to celebrating that anniversary.

Mr. HAMELINE. Thank you. You are invited.

Ms. OAKAR. Do you have any other questions, Congressman?

Mr. STRATTON. No, thank you.

Ms. OAKAR. Let me ask Councilman Tully. I share your concern about the DRG's, also, that are part of the Senate proposal. You mentioned that you touched on home health care. And, I serve on the Aging Committee also, so it is one of my interests. How we treat the elderly happens to be a special interest of mine.

I am wondering if you felt that if we had comprehensive home health care, in a policy, if subscribers would use it. I I just was reading in the weekend's paper that the administration, is putting new guidelines in Medicare for home health care, making it harder for people to get home health care. It is a lot cheaper. And, sometimes people do not have to get hospitalized for everything, as you well know.

So, I am wondering if you would just like to comment on that. If you felt that your people, the retirees, would use home health care, rather than be hospitalized.

Mr. TULLY. We have had a lot of experience with home health care. It is really a cost-containment feature as far as medical costs are concerned. Because, people can get served in their home at a much cheaper rate, than if they are hospitalized, and have to go through all of the—I am a member of the advisory committee on Blue Cross, locally in Albany. And, they pay the hospital \$260 a day, for every patient that is insured under Blue Cross. They are saying that the same care can be given to a person at home for around \$80 a day.

So, the cost is tremendous. And, besides that, there is a feeling that if you are home among your own surroundings with your own people, you seem to get along better. And I think that is true also.

Ms. OAKAR. Well, thank you.

Mr. Campbell, is there a greater turnover in your agency today than there was in the past?

Are more people looking for other jobs?

Mr. CAMPBELL. Yes, there is.

Ms. OAKAR. You have a lot of people who are paid at the bottom of the wage scale.

Mr. CAMPBELL. Yes, it is.

Ms. OAKAR. Those who work for our hospitals and agencies such as yours. So, I imagine with all the threats aimed at their compensation, that it is a problem.

Mr. O'Connell, what about the morale of—in your agency?

Do you think that spills over to others?

Mr. O'CONNELL. Certainly. As we mentioned, the agency has been under fire, and has been under fire for a number of years to reduce our staffs, which we have done. At the same time, we have been increasing our program deliveries and it makes it that much more difficult to come to work every morning.

We are losing an awful lot of competent loan officers, particularly in the cities where the money center banks are located.

Private industry has been able to come in and hire somebody that is extremely competent in making loans and in servicing loans, and liquidating loans, away from us, and not have to train anybody.

And we are finding, particularly in New York City, Los Angeles, and San Francisco, we are just not able to keep anyone.

Ms. OAKAR. If they can go to the private sector and deal with this issue.

Mr. Hameline, I was interested in your comments about the fact that you are understaffed. One reason may be that the salaries you offer and your ability to recruit people who want to do that work at that salary will never meet. In the President's budget, I do not have the exact figures, one of the ways that he dealt with his budget deficit, was to cut a number of Federal employees. They proposed a huge reduction in Government work force. And this was their way to cut their deficit.

I feel that one of the targeted areas was to close down some of the Social Security offices. I am sure Congressman Stratton agrees with me. In my district, the biggest caseloads we have, are people who need information, and we get marvelous cooperation from the Social Security satellite offices that we have in Cleveland.

I remember not too long ago that I had my staff call there, because they indicated that the lines were busy at the Social Security offices in Cleveland.

One of the things we found out was that in the last 3 years, they have reduced the work force dramatically, so that they do not even have the number of lines, and they cut the number of people who just handle calls. That may be just in Cleveland, but I have a feeling it is a national phenomenon.

I am wondering if you have also heard the rumor that thousands of Social Security offices would be closed?

Mr. HAMELINE. Yes, I read the paper and I have seen that. I think there is something out today by Congressman Roybal, about the closings of some Social Security offices.

We at the local level, have been told to refer questions of that nature onto our national press office, so that they can give you the answer, you know, officially. I guess that is about the best that I can do.

But, it does create some consternations in the smaller offices. If you are looking over your shoulder, saying are they going to close us down in another 3 or 4 months, you are not really concentrating on the work in front of you.

Ms. OAKAR. Just to give you our own example, if they closed down, we have, I think three or four offices in greater Cleveland, that are accessible. Cleveland is part of the so-called Chicago region. And, the effect in a sense, if they impact on Ohio negatively, would be that our people would have to call Chicago.

Now, you know, what older person or disabled person who has had enough grievance, over the last couple of years, is going to have the resources to go into that local office and sit down with your material; is not that right, you get a lot of walk-ins?

Mr. HAMELINE. Yes. You do not want to talk to an answering machine, I do not. I talk back to them.

Ms. OAKAR. Right. So, we are concerned about that.

You took a leave today in order to testify?

Mr. HAMELINE. Yes.

Ms. OAKAR. Well, I think that is very generous of you to do.

Mr. HAMELINE. Well, it is not part of my job to come down to talk to you people. I would like to. But, I thought that I could do it on my own.

Ms. OAKAR. I want to commend all of you for being here. This concludes our witness list. I want to thank Congressman Stratton for inviting me here. I think the testimony we heard today is going to be very, very helpful in trying to formulate policy for our Government workers.

And, I want to thank in particular, besides Congressman Stratton, his very able staff representative, Carol Koch, who did fine work on this. And, Jerry Klepner, who is our staff director of the subcommittee. They are Federal employees too. And we know they have been working, just as we have.

Congressman, would you like to close the hearing?

Mr. STRATTON. Well, I think that would be your prerogative, Madam Chair, but I just want to express once again my appreciation for your taking the time, for your staff to come here. I think this has been extremely helpful. It highlights exactly what these rather cold budget figures mean in terms of persons and the operation of the Federal Government.

I hope that you will continue these hearings in other parts of the country, because I think it will make a very substantial impact when people begin to see what the facts really are.

Ms. OAKAR. We will be doing that. And this is the first of our field hearings. So, it was a good choice, I think, to come to your area, Congressman.

And, this concludes the subcommittee hearing. The meeting is adjourned.

Thank you.

[The following statement was received for the record.]

Testimony of Charles Lambert, 7 Bayberry Drive, Clifton Park, NY 12065.
Air National Guard technician, GS-7, photographer

Let me tell you the story of a very fortunate federal employee. He works in the Active Guard/Reserve program as a civilian personnel specialist at an Air National Guard base. His position was originally classified as a GS-6, and if he were a competitive employee or a military technician, that would be his grade. Since he has been on the job for less than one year he should therefore be a GS-6, step 1, and entitled to a \$16,040 per year salary. As a GS-6, he could accumulate up to 13 days leave in this first year, and would have the usual retirement and health insurance deductions removed from his paycheck.

But wait! This employee does not get paid as a GS-6. He gets paid as an E-6 Technical Sergeant with 12 years of service (earned part-time in the Air Guard). When he signs up for his tour in the GS-6 position he gets an annual salary of \$15,602. Poor guy, you say...he gets almost \$500 less than the GS-6 position calls for. Not so! On top of his basic salary just mentioned, he also gets subsistence pay, a quarters allowance, and a variable housing allowance which all add up to an extra \$7161 per year. Oh my!, you say...that means he makes \$22,763 while working in a \$16,000 GS-6 position! Not exactly--let's add insult to injury by remembering that as a military member he also gets: free retirement, free health care, 30 days of vacation every year, and (this really hurts) all those extra payments on top of his basic salary are TAX EXEMPT.

The story ends with the Technical Sergeant doing GS-6 work and getting paid about a GS-10 salary. Sounds like a pretty good deal, doesn't it? How does this make his GS-9 supervisor feel?...after all, three of his five subordinates make more than he does. It makes him feel pretty strange. How does it make the GS-7s and 8s with 15 to 20 years of service feel, when their disposable income is only about two-thirds of the AGR employee who has only been working for a few years.

Where is the incentive to do any good work at all when some of your co-workers in lower-ranking jobs make more now than you ever will?

This situation developed during the federal hiring freeze about five years ago as a way to adequately man our Reserve forces as they were being given more responsibility for defense. The story given above is a generic example of the working situation as it exists for many of us.

Why not hire some more civilian employees? Why not give everyone a chance to convert to the AGR program? Please consider dumping one or the other...but don't let these two classes of employees exist side-by-side any longer.

○